

MASTER OF SCIENCE IN FINANCE

MASTER'S FINAL WORK PROJECT

EQUITY RESEARCH:
SPORT LISBOA E BENFICA – FUTEBOL, SAD

FRANCISCO SILVÉRIO DE MATOS

OCTOBER 2016

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**SUPERVISOR:
CLARA RAPOSO**

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Abstract

This project contains a detailed evaluation of Sport Lisboa e Benfica – Futebol, SAD, according to ISEG's Master in Finance final work project. This report was written in accordance with the recommendations of the CFA Institute. The choice of this company was mainly due to the great interest for the sports industry and for the company itself in order to understand even better the financial side and potential of this business. This report was written with respect to the public information available on September 10, 2016, any information or event subsequent to this date has not been considered. The target price was obtained using an absolute valuation method, the method of Discounted Cash Flow (DCF), complemented by a relative valuation method, the method of Comparable Multiples. With a final target price of € 1.63, representing an upside potential of 79% from the current price of € 0.91, our final recommendation for the Benfica SAD (SLBEN) is to **Buy**, despite the risks that the company faces as it depends highly on the sports results that can affect strongly the company results and affect the target price of the company.

JEL classification: G10; G32; G34; Z23.

Keywords: Equity Research; Valuation; Mergers & Acquisitions; Sports Industry; Football; Sport Lisboa e Benfica – Futebol, SAD.

Resumo

Este projeto contém uma avaliação detalhada da Sport Lisboa e Benfica – Futebol, SAD, de acordo com o trabalho final do programa de Mestrado de Finanças do ISEG. Este relatório foi elaborado de acordo com as recomendações do CFA Institute. A escolha desta empresa deve-se, principalmente, pelo grande interesse na indústria desportiva e também na empresa em si, com o objetivo de entender cada vez melhor o lado financeiro e o potencial desta indústria de negócio. Este relatório foi elaborado de acordo com a informação pública disponível a 10 de Setembro de 2016. Qualquer informação ou evento subsequente a esta data não foi considerada. O preço-alvo foi obtido através de um método de avaliação absoluto, o método dos Fluxos de Caixa Descontados (DCF em inglês), reforçado por um método de avaliação relativo, o método dos múltiplos comparáveis. Com um preço alvo final de € 1.63, representando um potencial de valorização de 79% face ao preço atual de € 0.91, a nossa recomendação final para Benfica SAD (SLBEN) é de Compra, apesar dos riscos que possam ocorrer como o risco desportivo a que a empresa está exposta, dado que a empresa depende em parte dos resultados desportivos, que pode influenciar fortemente os resultados e afetar o preço-alvo da empresa.

Classificação JEL: G10; G32; G34; Z23.

Palavras-Chave: Equity Research; Avaliação de Empresas; Fusões e Aquisições de Empresas; Indústria Desportiva; Futebol; Sport Lisboa e Benfica – Futebol, SAD.

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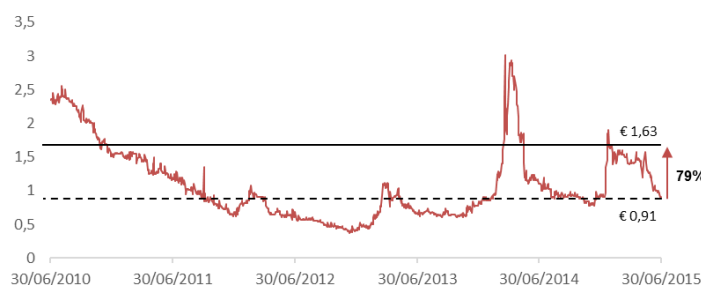
SLBEN: Setting Records

(YE2016 Price Target of € 1.63 (+79%); recommendation is to BUY)

1. Research Snapshot

BUY is our recommendation for Sport Lisboa e Benfica – Futebol, SAD (SLBEN) with a price target of € 1.63 at the end of 2016, using the discounted cash flow method. Relative valuation through multiples supports our view that SLBEN is currently undervalued. This offers a potential 79% upside gain from its June 30th, 2015 closing price of € 0.91, although with high risk.

Figure 1: Share Price



Source: Reuters and FM edition

Highlights

Operating Income and Earnings are reaching values never reached before. It is expected that in 2016 it achieves the highest value ever and that it can maintain in that level in the future. We predict this increase due to the sporting success that the football team has been achieving over the last few years. Items like UEFA premiums, tickets, TV broadcasting rights and sponsors are directly linked with Benfica's sporting performance.

The Operating Income without Athlete Transactions is expected to be always positive in the forecast period, accomplishing an objective of the board of directors. Also the Net Income is expected to start being constantly positive. With the good results Benfica SAD expects to, in the future, change its capital structure to a value closer to the target 70% debt and 30% equity. The board has already started a program to substitute its bank debt with non-convertible bond loans in order to diminish its financial expenses and to transform its current debt in more long term debt.

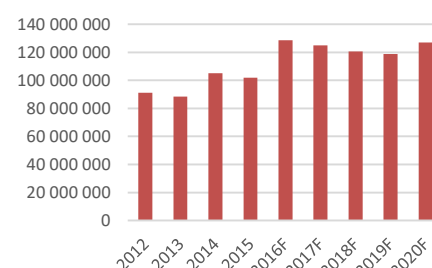
A new perspective of the use of the resources that SLBEN already has at home is one of the main drivers of the board for the future. The objective is to start to take advantage of the investments made in its training center and incorporate the best players formed in the club in the main football team and, with this, decrease the costs in signing new athletes.

Table 1: Risk Assessment

Low	Medium	High
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Our risk assessment is a high risk estimation for SLBEN.

Figure 2: Benfica SAD's Operating Earnings

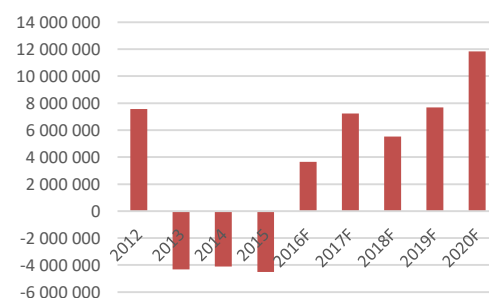


(at 30-06 of each year)

Values in €

Source: SAD Report and FM estimates

Figure 3: Benfica SAD's Operating Income Without Athletes



(at 30-06 of each year)

Values in €

Source: SAD Report and FM estimates

Table 2: Sensitivity analysis to g

g	-0,20%	-0,15%	-0,10%	-0,05%	0,00%	0,05%	0,10%	0,15%	0,20%
Perpetuity	48996037,23	49246017	49495996,8	49745976,6	49995956	50245936,13	50495915,9	50745895,7	50995875,48
Terminal V.	663314229,6	671242164	679278901	687426696	695687866	704064795,1	712559933	721175799,2	729914986,4
Discount. TV	468832652,6	474436143	480116534	485875422	491714444	497635284,7	503639676	509729398	515906283,8
EV	437497600,3	443101090	448781482	454540370	460379392	466300232,4	472304623	478394345,7	484571231,6
EV-NetDebt	14 604 600	20 208 090	25 888 482	31 647 370	37 486 392	43 407 232	49 411 623	55 501 346	61 678 232
Target Price	0,63	0,88	1,13	1,38	1,63	1,89	2,15	2,41	2,68

Source: FM edition

2. Business Description

Sport Lisboa e Benfica – Futebol, SAD is the company which gives legal personification to Sport Lisboa e Benfica's professional football team. It was established on February 10th, 2000, under the special arrangements provided in the Decree-Law No. 67/97 of April 3rd.

According to the website www.portaldaempresa.pt, a "SAD" is a privately held company owned by shareholders, whose purpose is to participate in sports competitions, as well as the promotion and organization of sports shows and/or development of activities related to professional sports". The creation of SADs was imposed by law, in order to maintain the balance in tax treatment between the sports clubs and citizens. Before the creation of these entities known as "SAD", all sports business passed on the margins of social contributions, since most players' salaries were not declared and, consequently, also there were no discounts for social security.

Sport Lisboa e Benfica (the club) was founded on February 28th, 1904, and it competes in more than 20 other different sports like basketball, handball, roller-hockey or volleyball. Particularly in football, it counts with lots of glorious achievements in its history, such as 10 European finals, including 2 UEFA Champions Leagues titles, 35 Portuguese domestic leagues or 25 Portuguese Cups.

The development of the main activity of Benfica SAD presupposes the existence and maintenance of a privileged relationship with SL Benfica, based on agreements and protocols that ensure Benfica SAD, in particular, the use of the brand "Benfica" by the professional football team and at any sports events. Any change in this situation, which is not expected at all to happen, could affect significantly the development of Benfica SAD's normal activity.

In name of that, Benfica SAD has to ensure all functions related to the professional management of that team, such as: the participation in sports competitions of professional football at national and international level; training of football players; exploitation of television rights in open and closed channel; management of image and economic rights of the players, exploitation of the brand "Benfica", and, management of the exploitation rights of part of the Sports Complex of Sport Lisboa e Benfica's Stadium necessary to the practice of professional football.

In a special meeting held on May 21st 2007, the Governing Board of the Portuguese Securities Market Commission deliberated the approval of the circular of admission to the negotiation in Euronext Lisbon of 15,000,001 representative shares of the totality of Sport Lisboa e Benfica - Futebol, SAD equity capital. The shares are common, book-entry and nominative and have a face value of 5 €.

Benfica SAD is the parent-company of a group of companies, which is called "Benfica SAD Group". Sport Lisboa e Benfica SAD holds interests in the following entities: 100% of "Benfica Estádio, SA" (sports facilities); 100% of Benfica TV, SA (media); 50% of Clínica do SLB, Lda (healthcare), and, 2% of Benfica Seguros, Lda (insurance) (Figure 5).

The main revenues of Benfica SAD should be separated in two groups: revenues with athlete rights transfers and revenues without athletes, since athlete rights transactions are the main heading revenues. The main revenues without athlete rights transactions are the following: UEFA participation and performance premiums/bonus; television/broadcasting revenues, sponsorships and advertisement, and, tickets sales (Figure 6).

Just like the revenues, the principal expense that Benfica SAD has is directly linked with the professional football team: athletes' salaries. The other main costs the company affords are supplies and external services, and, depreciations/amortizations (Figure 7).

Company Strategies

When this board of directors took over the company administration it was facing a highly difficult situation, both sporting and financially speaking.

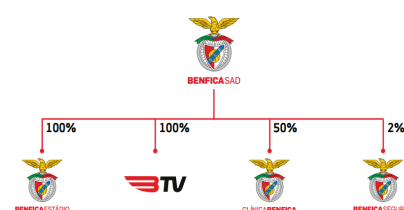
In sports matters, the professional football team was facing, successively, bad seasons with recurrent bad sporting results being, inclusively, 10 years without reaching its eternal main sporting goal, the Portuguese Championship. In order to achieve the desired

Figure 4: Benfica Badge



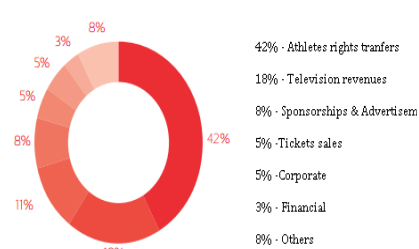
Source: Benfica Website

Figure 5: Benfica SAD participations



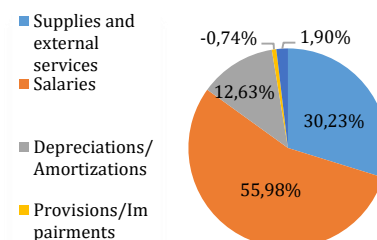
Source: SAD Report

Figure 6: Benfica SAD Revenues in 2015



Source: SAD Report

Figure 7: Benfica SAD Expenses in 2015



Source: SAD Report

results, the Board decided to start a leverage policy to reach the required funds needed to make the investments that the Board had defined as fundamental to the future of the club. Initially, the investments made by the company were mainly in the construction and improvement of infrastructures, like the football stadium and the training center, and also in specialized staff. In the following years, the Board decided that it was time to invest more in talented players for the professional football team, and this required also a significant investment. With this investment, the professional football team improved significantly and has started to reach more frequently its goals.

Season 2009/2010: The season 2009/2010 was a crucial year for the club's present and future. The board hired a new coach, Jorge Jesus, and signed with some talented players like Javier Saviola, Javi García or Ramires. Benfica won the Portuguese Championship, an achievement that was not accomplished since season 2004/2005, and also won the Portuguese League Cup. It was important to motivate the fans to the upcoming years and to break the sequence of championships won by the one of the major rivals, FC Porto, in the last years. In the 3 subsequent seasons Benfica did not win the championship but ended the league always on the 2nd position and did well in the European competitions and in the Portuguese League Cup.

Season 2010/2011: This season was not a good season for the club in the national competitions because the club only reached one goal, the Portuguese League Cup, and, despite having ended the league in the 2nd position, it did so with 21 points behind the 1st place, FC Porto. In the European competitions, though, Benfica reached the semi-final of the UEFA Europa League.

Season 2011/2012: This was a similar season to the previous one because the club ended, again, the league in the 2nd position and also won the Portuguese League Cup. The main difference was in the European competitions because the club reached the quarter-finals of the UEFA Champions League, which is the UEFA's main football club competition.

Season 2012/2013: This was an atypical season for the club. In this season, Benfica was a strong competitor until the end, but lost 3 competitions in about one week. After being the league leader in a large part of the season, Benfica lost the championship in the last round to its rival, FC Porto. In the European competitions, Benfica reached the final of the UEFA Europa League. It was the 9th European final overall for Benfica, the first since the 1990 European Cup Final. The last competition that Benfica lost in this season was "Taça de Portugal", the traditional domestic Cup, after reaching the final 9 years after its last presence.

Season 2013/2014: This was a highly distinct season when compared with the previous ones. In this season, Benfica won all the internal competitions: Portuguese Championship, "Taça de Portugal" and Portuguese League Cup. In what concerns the European competitions it was also a positive season because Benfica reached, for the second consecutive year, the final of the UEFA Europa League but lost again the final match.

Season 2014/2015: This season started with a high distrust by the fans in general because during the summer transfers market the administration sold 7 of the best players of the team. Despite this, and with some in-transfers of new players arriving, Benfica achieved a very important win in the league becoming back-to-back Portugal champion, an achievement the club had missed for the last 31 years. Beside the championship, Benfica also won, for the second consecutive year, the Portuguese League Cup. The major disappointment of this season was the European competitions where the club was eliminated in the group stage of UEFA Champions League.

Season 2015/2016: This season also started on a hard way but this time for different reasons. Benfica's coach, Jorge Jesus, has left the club to join the historical rival Sporting CP. A new coach, Rui Vitória, was hired. Also in the pitch it wasn't a good start for the club with some bad results in the pre-season and in the first games of the championship. Although, the team moved up and improved and ended the season winning again the Portuguese Championship, becoming triple champions, and had a great performance on the UEFA Champions Leagues reaching the quarter-finals of the competition.

Over the years, this board of directors developed a strategy to take advantage of the fact that Benfica is the most popular club in Portugal with about 6 million supporters in Portugal and 14 million in the whole world.

Casas do Benfica: The so called "Casas do Benfica" ("Benfica's Houses" in English) is a project developed to allow a greater proximity and connection between the club and its supporters and associates. In the present, there are around 220 Houses spread all over

the world. Besides Portugal, these houses are located in 12 other countries: Australia, Belgium, Canada, Cape Verde, France, Germany, Guinea Bissau, Luxembourg, Macao, South Africa, Switzerland and United States of America. The main concern of this project is the capacity to reach the supporters spread all over the world where they can watch Benfica's games, buy Benfica merchandise, tickets for matches, among other.

Club Associates: The members of Benfica democratically elect the club president for a four-year term by voting in each candidate list, forming the highest board of the club. They also participate in the general assemblies, submit proposals, take part in discussions, and so forth. In order to increase significantly its number of associates/members, Benfica started, in 2004, an aggressive marketing campaign, known as "Kit Sócio" ("Member's Kit" in English). In 2006, Benfica set the Guinness World Record for the "most widely supported football club" with 160,398 paid-up members, according to the Guinness World Records. In 2014, Benfica has revalidated and established a new record as the "biggest club in the world" with about 240,000 members, according to the Guinness World Records. In August 2015, after a scheduled renumbering, Benfica lost its record after announcing that the actual members' number was about 160,000.

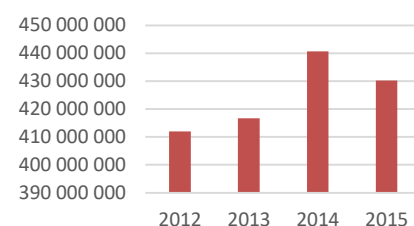
Benfica TV: In December 2008 Benfica launched Benfica TV, becoming the first club in Portugal to have its own TV channel. The creation of the club's TV channel had always been one of the main promises that the club's president made in his presidential campaign, as a mean for the club to better communicate with its members and supporters. In the first years of this project, Benfica TV was broadcasting mainly shows about the club and matches from other sports and youth teams. In 2011, Benfica announced that Benfica TV has ended the year's exercise with profit for the first time. In 2013 the channel suffered a real transformation. After rejecting a new 5-year TV rights deal from Olivedesportes, the board decided to start transmitting, from season 2013/2014, the professional football team's home championship matches on its own, becoming the first football club in the world broadcasting its own official matches. For this project to be valid, the channel needed to change its nature from free access to become a premium-paid-channel. In order to make the TV channel even more competitive and attractive, the board decided that it was necessary to buy some other valuable rights of sports contents and acquired some new contents like the English Premier League, the Italian Serie A, the French League 1, the American Major League Soccer or the Ultimate Fighting Championship. Nowadays, Benfica TV has about 300,000 subscribers, it's fully broadcasted in 12 countries and in 2014 it had revenues of about 30 Million €. Although, in December 2015, Benfica SAD announced that has reached an agreement with NOS, one of the biggest Portuguese media and telecommunications company and also main sponsor of the Portuguese Football League called "Liga NOS", to the sale of the television broadcasting rights of the principal professional football team of Benfica SAD's home games of the Portuguese Football League, Liga NOS, as well as the transmission and distribution rights of Benfica TV channel. The contract will start in season 2016/2017, being initially a three years deal that can be renewed, by decision of either party, until a total of 10 sports seasons that can reach a total financial amount of 400 Million €, divided into progressive amounts. This contract will force to a strong change in the SAD's politics for the channel as it will lose almost all of its more attractive contents. Benfica SAD expects to overcome, with this contract, the revenues that would have with the previous politic.

Cosme Damião Museum: One of the main desires of the president Luís Filipe Vieira always was the construction of a new and modern club's museum. On July 2013 that ambition was fulfilled with the grand opening of the club's museum, called Cosme Damião Museum, in honor of the club's founder, Cosme Damião. Only a year later of its inauguration, the museum received the "Portuguese Museum of the Year 2014 Award".

Social Responsibility: Since its foundation that the club has a high impact in the Portuguese society. With this big responsibility, the club always had programs to help the most in need. In 2009, it was founded "Fundação Benfica" (Benfica Foundation, in English) with the purpose of developing integrated projects to prevent deviant behaviors and promoting educational success of children as determinants of social mobility.

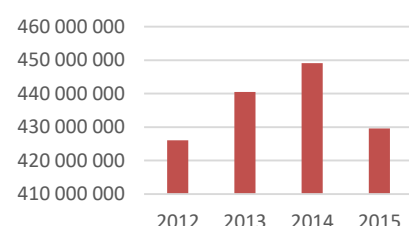
As mentioned before, firstly, the board of Benfica SAD decided to invest mainly in infrastructures, and later in talented players. This investment strategy led to the buildup of a high debt level but also a valuable asset base (Figure 8 and 9). To face all the costs and liabilities that come hand in hand with this strategy, the club designed a strategy to have extra gains with player transactions. A highly specialized scouting network spread all over the world identifies talented, and mainly unknown, players that are liable to evolve and, in the future, bring gains, both sport and financial, for the club. This has been a well succeeded policy and there are many examples of players that were bought relatively cheap and sold in millionaire transactions (Table 3).

Figure 8: Benfica SAD Asset Evolution 2012-2015



(at 30-06 of each year)
Values in €
Source: SAD Report

Figure 9: Benfica SAD Debt Evolution 2012-2015



(at 30-06 of each year)
Values in €
Source: SAD Report

Table 3: Biggest Benfica's athletes transactions until 2015

Athlete	Year	Value
Axel Witsel	2012	40 M €
Angél Di María	2010	33 M €
Fábio Coentrão	2011	30 M €
Rodrigo Moreno	2014	30 M €
David Luiz	2010	25 M €
Nemanja Matic	2013	25 M €
Lazar Markovic	2014	25 M €
Enzo Perez	2015	25 M €
Javi García	2012	22 M €
Ramires	2010	22 M €
		277 M €

Source: Transfermarket

Recently, the board has decided to change a bit the strategy followed until here. In order to reduce costs and to monetize the significant investments that have been made (both in human resources and logistics, innovation and financial, to transform the high level training center, “Caixa Futebol Campus”, in the “Best Academy of the Year” in the World according to Global Soccer on 15 December 2015), the board decided that it was time to start to, gradually, incorporate in the main professional football team, the most talented players that are formed in the club’s center and, with this, reduce some costs related with new player signings. This is a strategy that will take time to affect significantly the club’s financials.

Since its first days of existence, Benfica is a worldwide recognized club. Regarding this fact, the board always developed a strategy for the club that was capable to overcome the national boundaries. Recently, Benfica signed a main sponsoring deal with one of the main airlines company in the world, Emirates, becoming a member of an elite group of major world clubs bearing on their jerseys Emirates as main sponsor. This is all part of an internationalization strategy that the board has been following in the past recent years being always trying to find new markets and revenue sources. For the next few years, the club has planned to start expanding its brand to other markets like the Asian, American and Middle East.

Table 4: SWOT Analysis

<p>STRENGTHS</p> <ol style="list-style-type: none"> 1. Portuguese club with the largest fan/supporters and member-base; 2. Partnerships with some of the most recognized national and international companies; 3. Portuguese club with the largest capacity to generate revenues; 4. The only Portuguese club that have appeared in Deloitte Money League and Brand Finance Football Brand; 5. High value portfolio of athletes; 6. High value physic asset: stadium, training center, museum, pavilions, etc; 7. Many points of sale and interactions (“Casas do Benfica”); 8. Many channels of communication (Benfica TV, “O Benfica” newspaper, “Mística” magazine, among others); 9. History and achievements. 	<p>WEAKNESSES</p> <ol style="list-style-type: none"> 1. High debt level; 2. Still some dependence on athlete transactions to have profit; 3. High interest expenses; 4. High expenses with athletes salaries; 5. Dependence on sports performance to reach good financial results.
<p>OPPORTUNITIES</p> <ol style="list-style-type: none"> 1. Recovery of Portuguese economy; 2. Operational Revenues are at a constant increase; 3. Export and expansion of Benfica brand to new countries/markets; 4. Globalization of the football industry; 5. New international sponsors; 6. Process to start decreasing SAD’s debt level; 7. Development and innovative methods at the training level. 	<p>THREATS</p> <ol style="list-style-type: none"> 1. Growing competition; 2. Lower investment in sports by the Portuguese Government; 3. Many companies that could be potential partners are in financial distress; 4. UEFA Financial Fair Play; 5. Need to diversify the sources of revenues; 6. Appearance of new clubs with more economic power (most Arabic and Asian) that can buy or inflate some players that Benfica was interested in.

Source: FM edition

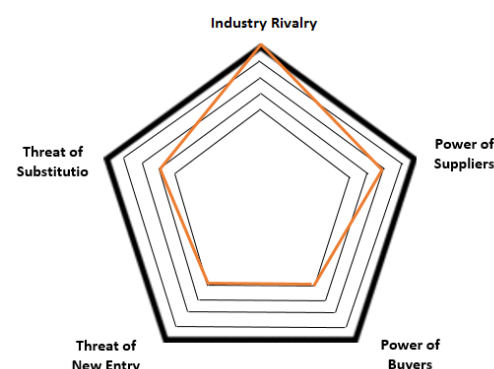
Porter’s Five Forces

Porter’s Five Forces is a framework analysis to the level of competition within an industry and business strategy development. This analysis includes two forces from vertical competition, power of suppliers and power of buyers, and three from horizontal competition, industry rivalry, threat of substitution and threat of new entry.

Industry rivalry (High)

At national level, Benfica has the traditional rivals, Sporting CP and FC Porto. When comparing the clubs, we can verify some equilibrium between Benfica and Porto and Sporting still at a little distance but in a growing process. In the last 6 years, Benfica and

Figure 10: Porter’s Five Forces



Source: FM edition

Porto have won 3 Portuguese Leagues each. The rivalry for the main Portuguese competitions is relatively high.

Power of suppliers (Medium)

The suppliers' power in Benfica is significant. The club's main technical partner/sponsor is the world recognized Adidas. Benfica and Adidas have a long and healthy relation that is predictable to continue lasting for the following years. The other suppliers that can have a relevant part in Benfica's business are the clubs from which Benfica buys the players to incorporate in the strategy of buy cheap, develop and sell by a higher price. The negotiation capacity of these clubs has an important role in Benfica's business.

Power of buyers (Low)

The buyers' power in Benfica is relatively low. The three main Benfica's clients that are relevant to talk about are the fans/supporters, the sponsors/partners and the clubs that want to buy Benfica's athletes. The fans are the ones that buy Benfica's merchandise and games/season tickets. The merchandise and tickets prices are tabled and defined and it cannot be negotiated. The sponsors that have partnerships with Benfica are, normally, large and recognized companies that want to see their name linked with the brand "Benfica". The visibility that Benfica allows their partners to have, principally in the European and Portuguese competitions, gives to the club a large negotiation capacity to reach good deals for the club. Nowadays, Benfica is capable to stablish more valuable partnerships than some years ago and not only with national but, increasingly, with international companies. Finally, the negotiation of athletes' sales to other clubs depends, mainly, on the relevance of the referred player in the team and also on the player's desire. The clubs that want to buy Benfica's athletes face some difficulties in the negotiations because Luís Filipe Vieira, the president, is a difficult and recognized negotiator and always try to combine the player's will with the club's interest.

Threat of substitution (Medium-low)

In the last years Benfica has been gaining some power in football industry that did not had some years ago. In the present, Benfica is capable to find better players at good prices and has been closing better deals than its rivals. Recently, Benfica has also started a process to incorporate the best players from the training academy in the main football team in order to optimize the resources the club has.

Threat of new entry (Low)

In the football industry it is very difficult to enter and reach rapidly some gains. It is sometimes referred that football has barriers at entry.

3. Management & Corporate Governance

The Statutes of Benfica SAD define a governance model comprised by a Board of Directors, an Audit Committee and the Statutory Auditor. The Board of Directors is headed by Luís Filipe Vieira, the Chairman; Rui Cunha, the Vice President; Domingos Soares de Oliveira, vowel and CEO; Rui Costa, vowel and executive director, and José Eduardo Moniz, also vowel and executive director. The Audit Committee is presided by Rui Nascimento Barreira. The Statutory Auditor of Benfica SAD is PwC.

According to this model, the Board of Directors is the governing body responsible for the Company's management whose members are appointed and removed by the General Assembly. The supervision of the Company is responsibility of the Audit Committee and the Statutory Auditor.

The compensation plan only incorporates two members of the board: Domingos Soares de Oliveira, vowel and CEO, and Rui Costa, vowel and executive director. In the season 2014/2015, the total compensation (fixed and variable) of these two members was, respectively, 328,000€ and 230,000€, which makes a total of 558,000€. All the other members of the board don't receive any compensation from Benfica SAD (Table 5).

Luís Filipe Ferreira Vieira is a Portuguese business man with experience in the real estate and construction sectors but no significant academic experience. Vieira was elected for the first time, by the club's associates, president of Sport Lisboa e Benfica (the club) on 31st October 2003 and remains in this position until the present day, having been reelected 3 times. Since his first Club election, Vieira is also Chairman of the Board of Directors of Sport Lisboa e Benfica – Futebol, SAD.

Under his direction, Benfica SAD had a significant improvement, both in terms of sports results and financially speaking. In the first years of management, Benfica SAD was under one of the most struggling situations in its history. Certain developments have led Benfica SAD to reach a terrible sport and economic situation as well as the destruction of the prestigious name of the club. One of the main guidelines that the board followed to face this situation was a strong leverage policy in order to reach the necessary funds to make the investments that, in the board's vision, were essential to the future of the club. Investments in physical infrastructures, such as the football stadium and the training center, and in highly specialized staff and athletes, were seen as fundamental for the club's rebuild and growth. After some years with negative financial results, Benfica SAD has finally achieved positive numbers in the last 2 years, reaching 7 Million € of net profit in season 2014/2015. In sports matters, after a few years winning titles only sporadically, the professional football team is currently triple Portuguese champion (Figure 11).







Shareholder Structure: The Club, Sport Lisboa e Benfica, is the only shareholder who owns, directly or indirectly, more than 50% of the equity capital of the company. In its total, Sport Lisboa e Benfica owns 66.97% of the capital and voting rights of Benfica SAD. The other main shareholders are Novo Banco, SA with 7.97%, José da Conceição Guilherme with 3.73%, Somague – Engenharia, SA with 3.65% and Olivedesportos SGPS, SA with 2.66% (Table 6 and Appendix 17).

Table 5: Board's Compensation Plan

	Fixed	Variable	Total
Domingos Soares de Oliveira	233	95	328
Rui Costa	230	-	230
	463	95	558
			(thousands €)

Source: SAD Report

Figure 11: Portuguese League Winners in the last 6 years

2015/16	2014/15	2013/14
		
2012/13	2011/12	2010/11
		

Source: www.zerozero.pt

Table 6: Benfica SAD Shareholder Structure

	Shares	Equity %
Sport Lisboa e Benfica		
Directly	9,200,000	40.00%
Sport Lisboa e Benfica, SGPS, SA	5,438,206	23.65%
Luís Filipe Vieira	753,615	3.28%
Rui Manuel César Costa	10,000	0.04%
Rui Manuel Frazão Henriques da Cunha	500	-
José Manuel da Silva Appleton	500	-
Rui António Gomes do Nascimento Barreira	300	-
Gualter das Neves Godinho	100	-
	15,403,221	66.97%
Novo Banco, SA	1,832,530	7.97%
José da Conceição Guilherme	856,900	3.73%
Somague – Engenharia, SA	840,000	3.65%
Olivedesportos SGPS, SA	612,283	2.66%

Source: SAD Report

4. Economic and Industry Overview

Portuguese Economic Outlook

Portugal is one of the European countries that have suffered most with the recent crisis. As well as the global world economy, the Portuguese economy has been recovering since 2013, achieving a growth rate of 0.9% in 2014 and 1.5% in 2015 (Figure 12). The economic activity was fueled through a great reduction in public consumption followed by a slowing in imports as well as a boost in exports. In 2014, GDP is mainly driven by an improvement in private consumption, which in turn increased imports above expectations. According to Banco de Portugal's projections, it is expected that Portugal will continue its recovery, attaining in 2016 an economic growth of 1.5%, against a deteriorating international environment, decelerating business investment and resilient non-durable private consumption; of 1.7% in 2017, reflecting buoyant investment and exports, and of 1.6% in 2018, reflecting ongoing structural constraints on the potential growth of the Portuguese economy (Table 7).

Benfica's Titles linked with the Economy's Growth

Coincidence or not, looking at the past 21 years, in all the years in which Benfica won the Portuguese League, the Portuguese GDP has always grown (Table 8). In fact, in four of the five national titles won in this period (1994, 2010, 2014 and 2015), the economic growth has always been higher than in the previous year (Table 8). In this period the only exception is 2005 because in 2004 Portugal hosted the EURO 2004. Regarding the last decade, the year in which the economy grew more was in 2010, expanding 1.9%, precisely a year in which Benfica won the championship. In 2014, Benfica's championship win also had a symbolic meaning. After three years with the presence of the so called Troika, a period during which FC Porto was triple champion, the economy was always in recession (-1.3% in 2011, -3.2% in 2012 and -1.4% in 2013). The year of 2014 marks the return of growth at 0.9%. It is inevitable to make the parallel with what happened exactly 21 years ago. In 1994, the last championship that Benfica won in the twentieth century coincided with a recovery that ended the longest recession since 1984.

Table 8. Benfica's titles connection with economic growth

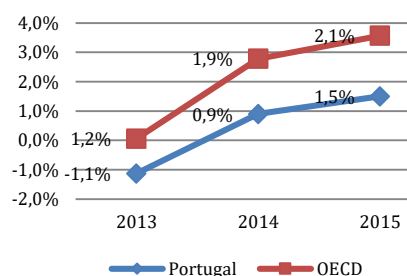
	1993	1994	2004	2005	
GDP Growth	-2.0%	1.0%	1.8%	0.8%	
Difference		+3.0%		-1.0%	
		Champion		Champion	
	2009	2010	2013	2014	2015
GDP Growth	-3.0%	1.9%	-1.1%	0.9%	1.5%
Difference		+4.9%		+2.0%	+0.6%
		Champion		Champion	Champion

Source: FM edition

Football Industry Outlook

The Industry of football is a complex and different market to analyze when compared with some other industries. Football is the most popular sport in Portugal and it's an industry that has been growing in the past recent years. The number of federated athletes has increased from 95,000 in 2005/2006 to 135,000 in 2015/2016. One of the main constraints that many football clubs face is the large difficulty to generate revenues. As we can see in the portrait of the country's situation, the situation of the clubs and SADs is very dependent on external revenues and exports. In other words, the weight that athlete transactions, bonuses from UEFA and sponsoring deals have in the accounts of a "SAD" is massive. In order to get these revenues, clubs can't in any way detract from the sporting results aimed and reached. Clubs have been designing through the years, new ways to reinvent and stimulate their capacity to generate revenues. In order to reach new sources of revenues, clubs have been exploiting new markets to expand their brands and to reach new and different sponsors.

Figure 12: Portugal Annual GDP Growth Rate



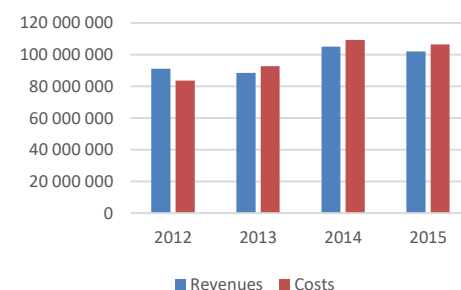
Source: OECD Data

Table 7: Portuguese Economy Projections

	Weights	Projection March		
	2015	2015	2016 ^{pl}	2017
Gross domestic product	100.0	1.5	1.5	1.7
Private consumption	65.9	2.6	1.8	1.9
Public consumption	18.2	0.8	1.1	0.4
Gross fixed capital formation	15.0	3.7	0.7	4.5
Domestic demand	99.2	2.4	1.4	2.0
Exports	40.3	5.1	2.2	5.1
Imports	39.5	7.3	2.1	5.6

Source: Banco de Portugal

Figure 13: Benfica SAD Operating Revenues/Costs without athlete transactions 2012-2015

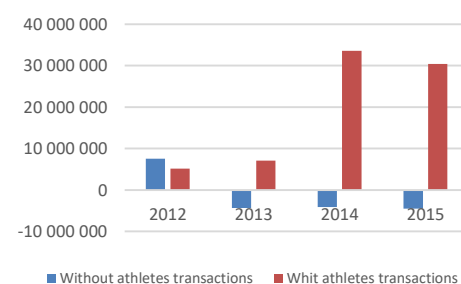


(at 30-06 of each year)

Values in €

Source: SAD Report

Figure 14: Benfica SAD Operating Income 2012-2015



(at 30-06 of each year)

Values in €

Source: SAD Report

Competitors

The main competitors that Benfica has are FC Porto and Sporting CP. These are the principal and historic rivals that Benfica has been facing over the years. It is appropriate to take an overview on the main financial results and indicators of these clubs and compare it with Benfica SAD's results.

In the season 2014/2015, Benfica SAD registered an Asset value of 430.2 Million €, Liabilities with a value of 429.6 Million € and an Equity Value of 0.6 Million €. The consolidated Net Income reached a value of 7.1 Million €, becoming the second consecutive year achieving positive annual income. It is important to make a differentiation between the Operating Income with and without athlete transactions. The consolidated Operational Income, including athlete transactions, exceeded 30.4 Million € while the Operating Income excluding athlete transactions did not reach positive numbers, with a value of -4.5 Million €. The Operating Revenues, without athlete transactions, reached a value of 102 Million €, being the second consecutive year to exceed the 100 Million € barrier (Figures 13 and 14). This is a boundary value that none of its competitors have ever reached. The main conclusion possible to take from this data is that despite the large amount of operating earnings that Benfica SAD is capable to reach, the club is still dependent of athlete transactions to face all the operating costs and achieve good results.

Sporting SAD had, in season 2014/2015, an Asset value of 235.5 Million €, 228.4 Million € in Liabilities and an Equity value of 7.1 Million €. It is important to state that Sporting SAD is currently under a debt restructuring process with its creditors and has about 127.9 Million € in Mandatorily Convertible Securities (VMOC in Portuguese). Considering the financial results, Sporting SAD had Operating Income, excluding athlete transactions, of 6.3 Million € while the Operational Income including athlete transactions were about 23.5 Million €. The Operating Revenues, without athlete transactions, reached a value of 58.4 Million € while the Operating Costs, without athlete transactions, were about 52.1 Million €.

FC Porto SAD registered, in season 2014/2015, an Asset value of 359.2 Million €, Liabilities of about 276.1 Million € and an Equity value of 83.1 Million €. Considering the financial results, Porto SAD had Operating Income, including athlete transactions, of about 34.4 Million €. The Operating Revenues, without athlete transactions, were lower than its costs having a value of 93.6 Million € and 110.3 Million €, respectively, and consequently negative Operating Income, excluding athlete transactions, of -16.7 Million €.

International Recognition

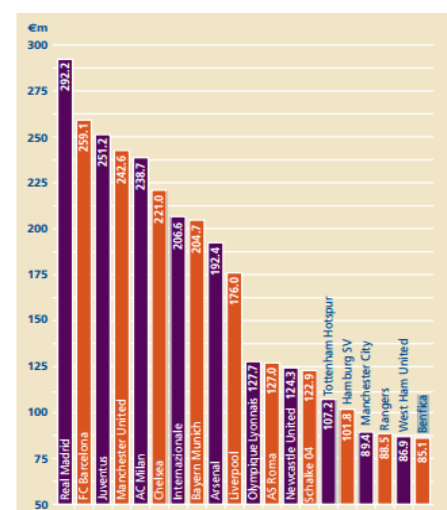
It is also relevant to refer that in the last years Benfica has had an increasing recognition by international entities.

Benfica is the only Portuguese club to ever appear in the "Deloitte Football Money League" and in the "Brand Finance Football 50".

The "Deloitte Football Money League" is a study developed annually by Deloitte UK which aims to show which are the European clubs with higher revenues and what their main sources of income are. In the 2007 report, considering season 2005/2006, Benfica appeared for the first, and last until the present, in the top 20 of this "Money League". Since then, despite of the fact that Benfica's revenues increased significantly, the club has appeared 6 times more (2008, 2011, 2012, 2013, 2014 and 2015) on the report but always below the top 20. This can be justified with the globalization process and the high development that the football industry has been facing. (Figure 14 and tables 9, 10 and 11)

The "Brand Finance Football 50" is a study developed by Brand Finance that analyses and ranks football clubs by the value of their brands, defined as the trademark and associated intellectual property of a club. Since the first "Football 50" report in 2007, Benfica has been included in it for almost every year. In 2008 Benfica appeared in the 16th position of the ranking with a brand value of 53 Million € while in the last report of 2016 Benfica is ranked in the 47th position with a brand value of 86 Million €. This decline in the ranking, despite the higher valuation, is justified with the evolution of the football business and mainly with the strength of clubs from the major football leagues headed by the English Premier League, the most valuable football league in the world.

Figure 15: Deloitte Money League 2007 Top 20



Source: Deloitte analysis

Table 9: Deloitte Money League 2008 Under Top 20

Club	2006/07 Revenue
Borussia Dortmund	€90.3m (£60.8m)
FC Copenhagen	€89.9m (£60.5m)
PSV Eindhoven	€88.0m (£59.2m)
VfB Stuttgart	€87.8m (£59.1m)
Fenerbahçe	€87.2m (£58.7m)
Benfica	€87.1m (£58.6m)
West Ham United	€85.1m (£57.3m)
Manchester City	€84.6m (£56.9m)
Aston Villa	€78.3m (£52.7m)
Everton	€76.4m (£51.4m)

Source: Deloitte analysis

Table 10: Deloitte Money League 2013 Under Top 20

Club	Reported revenue €m
Valencia	111.1
Benfica	111.1
Atlético Madrid	107.9
Ajax	104.1
VfB Stuttgart	103.2
Everton	99.5
Aston Villa	98.6
Fulham	98.0
Sunderland	96.4
Galatasaray	95.1
Corinthians	94.1

Source: Deloitte analysis

Table 11: Deloitte Money League 2015 Below Top 20

Pos	Club	Reported revenue €m
21	West Ham United	137.4
22	Aston Villa	133.0
23	Olympique de Marseille	130.5
24	AS Roma	127.4
25	Southampton	126.9
26	Benfica	126.0
27	Sunderland	124.8
28	Hamburger SV	120.3
29	Swansea City	118.0
30	Stoke City	117.6

Source: Deloitte analysis

5. Investment Summary

As was said before, Benfica is the most titled Portuguese club, with more supporters and with the largest capacity to generate revenues, both operating and athlete transactions. The recent sporting success gives the club the lead in the Portuguese football.

It is expected that SLBEN will reach its best results ever, in terms of revenues, during the forecast period.

With a target price of € 1.63 and an upside potential of 79% at the end of 2016, our recommendation for Sport Lisboa e Benfica – Futebol, SAD stands for **BUY**, using the DCF model. Using the relative valuation method, the Comparable Multiples, we reached a target price of € 1.83, what supports our view of an upside potential level. We consider that the results of the absolute method are more accurate than the results from the relative method and for further conclusions we consider the DCF model results. Both methods indicate that SLBEN is currently undervalued (Table 12). The major reasons for the existence of an upside potential consists in the growing revenues over the years and the unique capacity of generating revenues that Benfica SAD has, when compared with other Portuguese SADs, as well as the sporting success that the company has had which is directly linked with the financials results.

We predict that the EPS of SLBEN will be positive in every year except one because of the loss verified in that year. It has its highest value in 2016 having a EPS of 0.62 (Figure 16).

The discount rate applied to the future cash flows in the DCF valuation is the Weighted Average Cost of Capital that was deducted for SLBEN. This rate is described more detailed in the next section.

For the Multiples Valuation it was selected a group of football clubs that are listed and comparable with SLBEN to compute the pretended multiples, EV/EBITDA, EV/Sales and P/EPS. We could only take conclusions with the EV/Sales multiple. It is important to refer that for Sales we mean the Operating Income and Earnings without Athlete Transactions. Besides the other three Portuguese clubs that are listed we choose other three foreign listed clubs.

In the football industry, the major risk that companies are exposed to is the sports risk. In fact, a year of a bad performance in the national and international competitions can affect strongly the financial results. But this is a risk difficult to measure. Because of that, we considered that is realistic to assume that in a 5-year period it is possible to have a year where the football team can underperform. In our forecast, that year is 2018.

In order to compute the Risks to the Price Target we computed a sensitivity analysis and a Monte Carlo simulation. For the sensitivity analysis we only used variables inherent to the DCF model. For the Monte Carlo we also have considered some variable intrinsic to the DCF model but also with one of the most relevant costs, Personal Expenses.

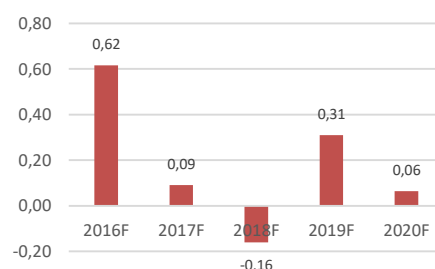
The Monte Carlo simulation gave us a mean of the price target equal to the DCF target price, € 1.63, with a probability of 56% of our recommendation being accurate (Appendix 15).

Table 12: Valuation Summary

DCF Valuation	
EV	460 379 392
Equity Value	37 486 392
Target Price	1,63
Multiples Valuation	
EV	464883370
Equity Value	41990370
EV/Sales Target Price	1,83
Difference	
	0,20
Current Price	0,91

Source: FM edition

Figure 16: Benfica SAD EPS during the forecast period



Source: FM estimates

6. Valuation

To evaluate SLBEN we used two different valuation methods, an absolute and a relative valuation model: the Discounted Cash Flow (DCF) and the Comparable Multiples, respectively.

For our absolute approach we used the **Discounted Cash Flow (DCF)** model. This method is one of the most used in company valuations and it is also the most appropriate for this company due to the fact that this is a listed company and the amount of available information that we found led us to reach the company's enterprise value. The Dividend Discount Model is not suitable for this company because, normally, Benfica doesn't distribute dividends. It was also computed the Free Cash Flow to the Firm (FCFF) of the group in order to reach the enterprise value. The Free cash flow to Equity (FCFE) is not suitable for this company since its capital structure is changing.

For the relative approach we used the **Comparable Multiples** model. To develop this model and to achieve the target price, were considered as comparable companies the two main rivals, FC Porto and Sporting CP, the other Portuguese club that is listed, SC Braga, and also three foreign clubs, Juventus from Italy, Olympique Lyonnais from France and Celtic Glasgow from Scotland.

Forecast Analysis

For the year of 2016 we considered mainly the interim third quarter report of season 2015/2016 to make our projections. We think that with this valid information we can predict it more precisely for 2016.

The **Operating Income and Earnings** are divided in two: **Services** and **Other Operating Income and Earnings**. For Services we considered that from 2017 until 2020 it will round a value of 85 Million €. The Other Income and Earnings is an item that is highly linked with the UEFA Premiums. Because of that, after 2016 being an excellent year in what that concerns, we considered that it will not outcome the 40 Million € boundary and we varied that item over the years because it is possible that Benfica can underperform, some year, in the UEFA's competitions. (Figure 17)

In the **Operating Expenses and Losses**, we used the percent of sales method to predict it for the next years, except the sub-item of Personnel Expenses. As it is the main expense, we assumed that it will be around 60 Million € annually.

In the Athlete Rights section, we also did some assumptions. For the **Amortizations and Impairment Losses w/ Athlete Rights** we considered some fixed amounts that we believe that are predictable, being higher in the first two years, 2016 and 2017, and lower in the last years until 2020. The **Revenues w/ Athlete Transactions**, being one of the main sources of revenues, were projected by the same logic, being assumed some values that we believe that will happen with some certain. (Figure 18)

The **Financial Revenues and Expenses** are not expected to change significantly in the next years. The Revenues assume a constant amount of 4 Million € while the Expenses will vary around an amount of 20 Million €, being expected to be lower. (Figure 19)

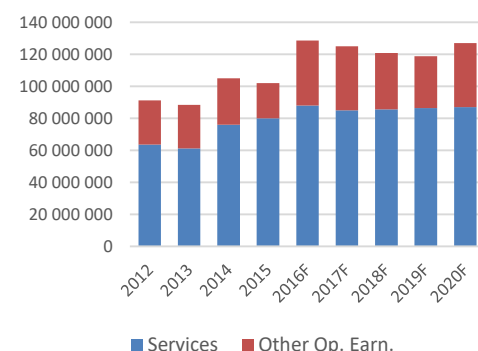
The **Asset** of SLBEN is expected to vary over the next years. The **Intangible Asset** is a very important item of this type of companies because is where the athlete rights are accounted. (Figure 20)

The **Equity** of SLBEN is expected to change, in a positive way, over the next years. In the past years, Benfica SAD had negative Equity but it is expected that, with the forecasted improvement of the results, it will increase to values around the 20 Million €. (Figure 21)

The **Liabilities** are a sensible point in SLBEN management because it has grown significantly over the last years. It is expected that it will stabilize and even decrease in the next years. (Figure 22)

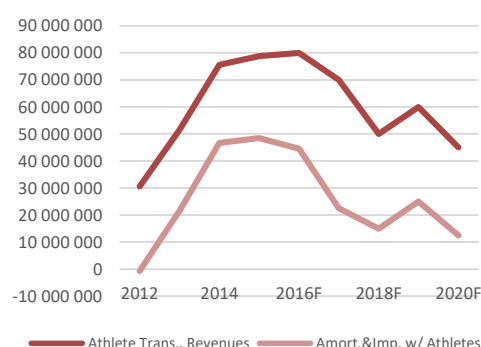
To compute the **Net Working Capital (NWC)** and its changes we need to subtract the Current Liabilities to the Current Asset (liquid of Cash & Equivalents). Since the Current Liabilities that were forecasted for the period are always higher than the Current Asset we will have a negative NWC. Although the NWC variations are not negative in all years. As we can see in table 13, we can only verify negative variations in the forecasted years of 2017 and 2020.

Figure 17: Op. Earnings: Services vs Other



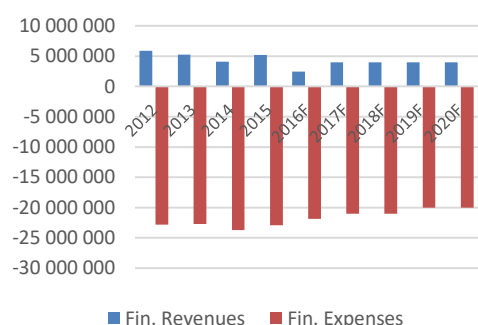
(at 30-06 of each year)
Values in €
Source: SAD Report and FM estimates

Figure 18: Athlete Transactions



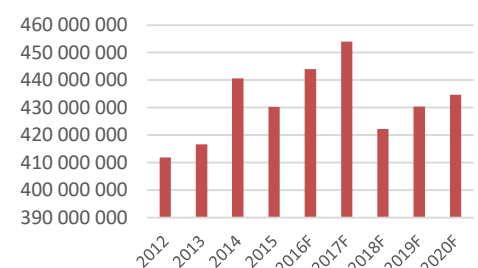
(at 30-06 of each year)
Values in €
Source: SAD Report and FM estimates

Figure 19: Financial Revenues vs Expenses



(at 30-06 of each year)
Values in €
Source: SAD Report and FM estimates

Figure 20: Benfica SAD Asset



(at 30-06 of each year)
Values in €
Source: SAD Report and FM estimates

Table 13: Benfica SAD NWC

	2016F	2017F	2018F	2019F	2020F
Current Assets	80 810 493	73 926 908	78 165 219	72 840 863	75 840 863
Current Liabilities	235 925 434	269 549 487	271 061 529	208 894 224	249 294 224
NWC	-155 114 941	-195 622 579	-192 896 310	-136 053 361	-173 453 361
Var. NWC	82 918 059	-40 507 638	2 726 269	56 842 949	-37 400 000

(at 30-06 of each year)

Values in €

Source: SAD Report and FM estimates

We computed the D&A and CapEx of Tangible and Intangible Assets separately.

The **Depreciations and Amortizations** of Tangible Assets follows, for the forecast period, the same line that in the historical period. The values of D&A are similar for the forecast period.

The **CapEx** in Tangible Assets were computed by adding the depreciations of the year to the change in the value of the Tangible Asset from the last year.

For the Intangible Assets we used the **Net Investment in Intangible Assets** in the DCF formula to make it simpler. With this, we have in the same item the depreciations of the assets and the investment made on it.

DCF Valuation

The result of the DCF valuation was a **target price** of € 1.63 for the end of 2016 (Table 14), representing an **upside potential** of 79%. In our perspective, SLBEN is currently **undervalued**, so, our recommendation, based on the DCF valuation, is to **BUY**. More details about the DCF Valuation can be seen below and in Appendix 11 and 12.

We started by computing the Free Cash Flows to the Firm (FCFF) for the forecasted years.

The formula used to compute the FCFF is the one below:

$$FCFF = EBIT * (1 - \text{Marginal tax rate}) + \text{Depreciations/Amortizations} - \text{CapEx} - \text{Net Investment in Intangible Assets} - \text{Net increase in NWC}$$

Table 15: Benfica SAD FCFF Calculations

	2016F	2017F	2018F	2019F	2020F
EBIT	33 781 994	19 641 375	13 305 456	24 022 801	17 842 983
EBIT(1-T)	26 687 776	15 516 686	13 305 456	18 978 012	14 095 956
DEP.	15 351 916	14 511 510	13 824 147	13 299 018	13 817 174
CapEX	20 221 916	23 011 510	13 824 147	18 299 018	13 817 174
Net Invest. Intang. Assets	25 333 000	0	-5 000 000	10 000 000	1 500 000
Var. NWC	82 918 059	-40 507 638	2 726 269	56 842 949	-37 400 000

(at 30-06 of each year)

Values in €

Source: SAD Report and FM estimates

Table 16: Benfica SAD FCFF

	2016F	2017F	2018F	2019F	2020F	Perpetuity from n+1
FCFF	-86 433 284	47 524 324	15 579 187	-52 864 937	49 995 956	49 995 956

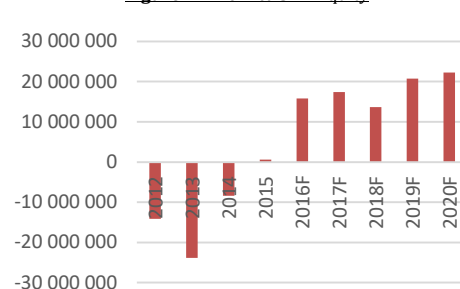
(at 30-06 of each year)

Values in €

Source: SAD Report and FM estimates

DCF Assumptions

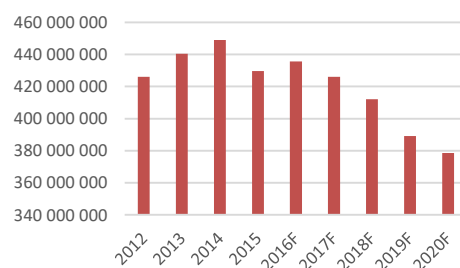
The Valuation Period considered was 5 years (from July 1, 2015 until June 30, 2020). After this valuation period, the Terminal Value is then added (it's the forecasted FCFF of 2020, multiplied by 1 plus the assumed growth rate and divided by the discount rate

Figure 21: Benfica SAD Equity

(at 30-06 of each year)

Values in €

Source: SAD Report and FM estimates

Figure 22: Benfica SAD Liabilities

(at 30-06 of each year)

Values in €

Source: SAD Report and FM estimates

Table 14: DCF Output

EV	460 379 392
Equity Value	37 486 392
# shares outstanding	23 000 000
Target Price	1,63
Current Price	0,91
Upside/(Down.) Potential	79%

Values in €

Source: SAD Report and FM estimates

minus the growth rate). The **growth rate (g)** considered was 0.00%. This rate is based in the low estimates of economic growth for the future and that the level of revenues that the company is expected to achieved in 2016 is very difficult to surpass in the following years.

Because in the DCF model we are discounting the free cash flow that will be paid to both debt and equity holders, the Discount Rate that should and was considered was the **Weighted Average Cost of Capital (WACC)** of SLBEN. This rate is the average cost of capital the company must pay to all its investors, both debt and equity holders. This rate is assumed to be constant over the period due to the constant capital structure target that was considered for the company. The formula used to estimate the company's WACC rate was the following:

$$WACC = (E/(D+E)) * Re + (D/(D+E)) * Rd * (1-t)$$

The Cost of Equity (Re), which is the return that stockholders require to invest in a company was computed using the Capital Asset Pricing Model (CAPM). The CAPM theory says that the expected return equals the rate on risk-free security plus a risk premium. We used a modification of the CAPM which includes a Country Risk Premium (CRP) due to the fact that Portugal is considered a peripheral country. The formula used to compute the Cost of Equity was the following:

$$Re = Rf + \beta * MRP + CRP$$

For the **Risk Free Rate (Rf)** we used the 10 year Portuguese Government Bond. The rate considered was observed on June 30, 2016 and it is 3.006%.

For the **Beta (β)** we used the available information on Reuters.com, that we consider reliable, of a 1.25 beta.

For the **Market Risk Premium (MRP)** we used the Aswath Damodaran's calculations, from July 2016, of 6.25%.

For the **Country Risk Premium (CRP)** we also used the Aswath Damodaran's calculations, from July 2016, of 3.92%.

Finally, the total estimated a **Cost of Equity (Re)** is about 14.74%.

The **Cost of Debt (Rd)** refers to the effective rate a company pays on its debt. It was assumed a 5% rate because it is the mean of interest expense over debt that the company has paid over the years and also the mean of the rates of the last issued bond loans.

The **Tax Rate (t)** considered was 21%, which is the income tax rate that is referred in the company reports. Although, in the past years, the company was taxed with lower rates manly due to bad results over the years. As we predict that the company will improve its results, will pay the tax rate imposed by law to this type of companies.

After all this assumptions, we were able to estimate the **WACC** of SLBEN and we reached a rate of **7.19%**.

To compute the Terminal Value (TV) we assumed a **Perpetuity WACC** of 7.19%, and a **Perpetual Growth Rate (g)** of 0.00%. The objective of the TV is to estimate the value of the remaining free cash flow beyond the forecast period. The formula used was the following:

$$TV = [FCFF * (1 + g)] / [(WACC - g)]$$

After all these procedures we discounted each year's FCFF at the WACC rate using the following formula:

$$EV = \sum_{n=1}^{t=n} \frac{FCFF_n}{(1 + R_{wacc})^n} + \frac{TV}{(1 + R_{wacc})^n}$$

Table 17: WACC

Target Ratios:	
g	0,00%
Rf	3,006%
CRP	3,92%
Rm-Rf	6,25%
Beta	1,25
Re	14,74%
Rd	5%
D/(D+E)	70%
E/(D+E)	30%
t	21%
WACC	7,19%

Source: SAD Report and FM estimates

After this, we have to subtract the Net Debt to the Enterprise Value in order to reach the Equity Value and, after all, divide it by the total number of shares outstanding. More information can be found in Appendix 10.

Comparable Multiples Valuation

In order to obtain a relative valuation, by the Comparable Multiples method, we considered the multiples **EV/EBITDA**, **EV/SALES** and **P/EPS**.

Given the specificities of this industry, for the multiples EV/EBITDA and P/EPS we obtained values with large differences between each other as well as negative values in the calculations of the ratios. For these reasons we decided not to include these multiples in our valuation because of the inconsistent results we have reached. More detailed information about this is shown in Appendix 10 and 13.

For the **EV/Sales** we reached a target price of € 1.83, what would make an appreciation of 100.62% (Table 18).

These results strengthen the prediction that SLBEN stocks are currently undervalued. Although, it is important to refer that this model resulted in a very optimistic prediction for the target price with an exaggerated upside potential. We still consider that the DCF valuation provides a better and more realistic estimation of SLBEN target price and value and our recommendation is still **BUY**.

Comparable Multiples Assumptions

There are only 27 clubs in Europe that are listed in stock exchange including only 13 from the top five leagues (England, Spain (having none), Italy, France and Germany). From this sample, there are some companies that can not be compared with Benfica SAD. Manchester United, for example, makes yearly more than 500 Million € in operating revenues. More details about the companies' selection can be found in Appendix 13. The selected clubs were: the two main rivals, FC Porto and Sporting CP, the other Portuguese club that is listed, SC Braga, and also three foreign clubs, Juventus from Italy, Olympique Lyonnais from France and Celtic Glasgow from Scotland (Table 19).

Table 18: EV/Sales Output

EV/Sales	2016F
Average EV/Sales	3,62
EV	464883370
Equity Value	41990370
# shares outstanding	23 000 000
Target Price from Rel. Valuation	1,83
Current Price	0,91
Upside/(Down.) Potential	100,62%

Source: FM edition

Table 19: Comparable Companies

FC Porto	National
Sporting CP	
SC Braga	
Juventus	International
Ol. Lyonnais	
Celtic FC	

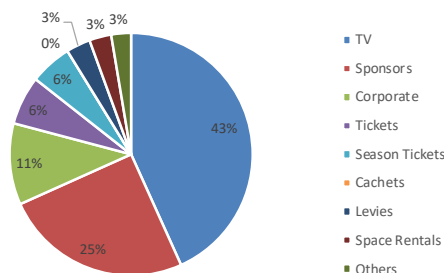
Source: FM edition

7. Financial Analysis

Since 2012, SLBEN's **EBITDA** has been growing. In 2012 it was about 48.1 million € and comparing it with the amount reached in 2015 of about 73.5 million € it is visible that a positive variation has occurred. It is expected an increase of EBITDA until 2017 and after it a decrease until the end of the valuation period (Figure 23). EBITDA corresponds to the operating cash flow measured by the operating income, net of depreciation, amortization, impairment losses and provisions.

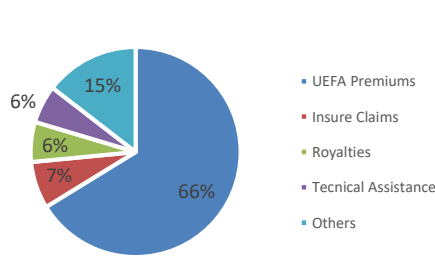
The **Operating Income and Earnings** of Benfica SAD have suffered a strong growth in the recent years to levels never achieved before. In 2014, SLBEN reached for the first time an amount of 100 Million € from Operating Earnings, a boundary that no other Portuguese club has ever achieved. It is expected that in 2016 it overcomes 120 Million € and maintains around those values during the forecast period (Figure 24). This increase is mainly due to the increase in the amounts received in television broadcasting rights of the football team, the amounts received from sponsors, tickets sales and the amount received from UEFA from the participation in the European competitions. This last item, UEFA Premiums, is directly linked with the sporting performance of the team in those competitions and the difference between a good and a bad performance on it can be reflected in the company's financials in an amount of about 15 or 20 Million €. Figures 25 and 26 show the details of Operating Income and Earnings.

Figure 25: 2015 Operating Income and Earnings: Services



Source: SAD Report and FM edition

Figure 26: 2015 Operating Income and Earnings: Others



Source: SAD Report and FM edition

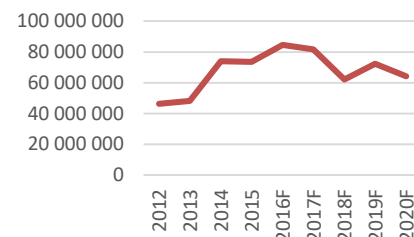
With the need to improve the quality of the football team, the **Personnel Expenses** have grown over the last years to values around 60 Million €. It is public that the board wants to reduce the amount spent every year with salaries but it has not been a reality until the present. In our forecast we assume that this item will be around 60 Million € over the forecast period (Figure 27).

One of the main financial objectives of SLBEN is to reach a positive **Operating Income Without Athletes**. This represents a strong step forward to decrease the dependency of the athlete transactions to reach positive numbers in the final results. Over the last years, it used to be negative but it is expected to be positive in the following years (Figure 28).

SLBEN's **Equity** problem of negative values began to evolve to a better scenario having increased from negative values in 2014 to positive values in 2015. It is expected that the Equity will continue to increase in the next years in order to change the firm capital structure. SLBEN's **debt** has increased significantly over the years of high investment like was said before. In order to fulfill one of the company's main objectives, the board decided to start to substitute bank loans by non-convertible bond loans and with this decrease the financial expenses and also, progressively, the debt level. It is expected that in the future the company can reach the desired target capital structure of 70% debt and 30% equity.

In order to estimate the value of each year debt, we followed the current intentions of the board to finance its business with bond loans instead of bank loans. It is public that during the year of 2016 the company launched a non-convertible bond loan of 50 Million € to pay other non-convertible bond loan that expires in the end of 2016. We assumed the emission of a non-convertible bond loan in every year that one past loan expires. More information about this can be found in Appendix 5.

Figure 23: Benfica SAD's EBITDA

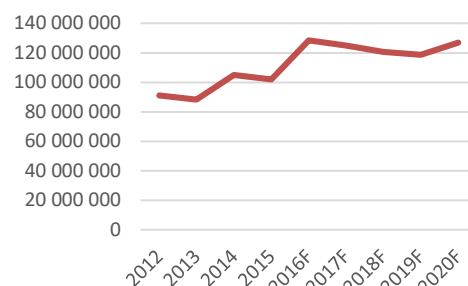


(at 30-06 of each year)

Values in €

Source: SAD Report and FM estimates

Figure 24: Benfica SAD's Operating Earnings

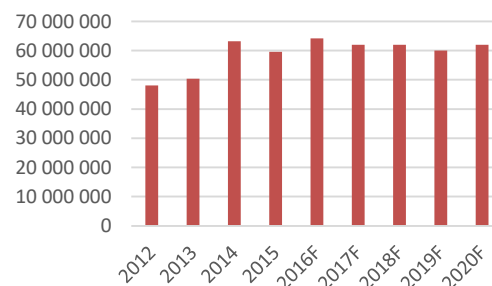


(at 30-06 of each year)

Values in €

Source: SAD Report and FM estimates

Figure 27: Benfica SAD's Personnel Expenses

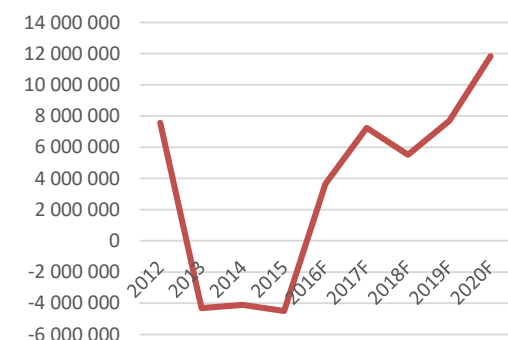


(at 30-06 of each year)

Values in €

Source: SAD Report and FM estimates

Figure 28: Benfica SAD's Operating Income Without Athletes



(at 30-06 of each year)

Values in €

Source: SAD Report and FM estimates

In the past, Benfica SAD has accumulated negative results for some years. The year of 2014 was the year of the turnover when the company ended a series of negative results having reached a positive **net profit**. In 2015 the good results were maintained and it is expected to continue in a positive level except from a year that we consider that the football team can underperform and because of the high dependence of the sporting results to have good financial results it is possible the company to have a loss. (Figure 29)

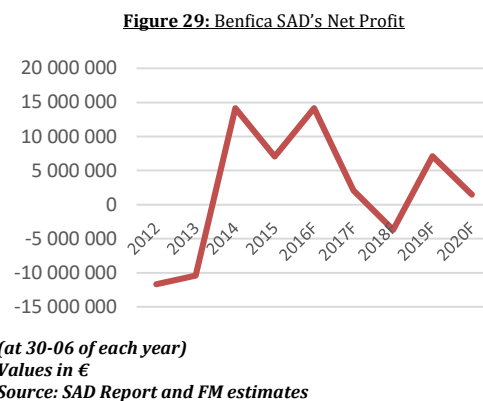


Figure 30: Historical Share Price



Source: Reuters, SAD Report

8. Investment Risks

The Group is exposed to different types of risks, namely: Sports risk, Regulatory risk - Financial Fair Play, Operational risk, Market risk, Credit risk, Liquidity risk and Refinancing risk.

The Board of Directors is responsible for defining and monitoring the Group's risk management policies. These policies were determined in order to identify and analyze the risks that the Group faces to establish risk boundaries and to monitor the evolution of these risks. Policies and risk management systems are reviewed regularly to remain adherent to the reality of market conditions and the Group's activities.

Sports Risk (SR)

Benfica SAD has its main activity linked to the participation of the professional football team in national and international competitions. Benfica SAD depends on the existence of these competitions, the maintenance of the rights of participation and the amount of premiums paid, the performance achieved in those competitions, especially in European competitions. In turn, the performance of the football team may be affected by the management of the squad, that is, the sale or purchase of considered key players to the performance of the main football team.

The sporting performance has a significant impact on income and operating earnings of Benfica SAD, particularly those dependent on the revenues from the sales of athletes rights, the participation of the main football team in European competitions, particularly in the Champions League, and from ticket service and season tickets receipts, among others. Additionally, television, sponsorship and advertising are dependent on the media and sports projection of the main football team.

The income and gains from athlete transactions has a highly significant weight in the accounts. These values are dependent on the evolution and trends of the market player transfers, the sporting performance of the players, of Benfica's ability to train and develop players who can, possibly, be transferred in the future and the maintenance of a legal framework to allow the realization of the expected income levels.

Regulatory Risk - Financial Fair Play (FFPR)

UEFA has approved a licensing system for admission of football clubs to participate in the competitions organized by them. Based on this system, only the clubs that prove satisfying sporting criteria, infrastructure, staff and administrative, legal and financial required by UEFA are able to compete in the European competitions.

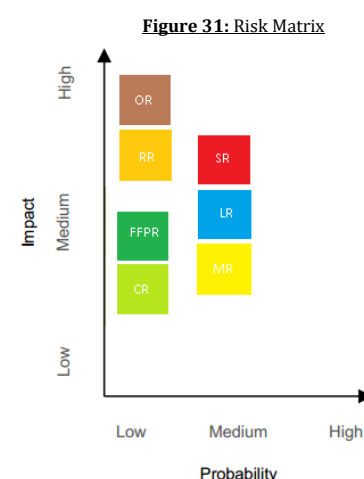
The Financial Fair Play is based on the principle of break-even, according to which clubs can only participate in European competitions if they show a balance between income and expenses.

The main criteria promoted by UEFA on Financial Fair Play are: the absence of overdue debts and unpaid (i) to other clubs or sports societies in of sports rights transfers of players, (ii) to its employees, including players, and (iii) the tax authorities and social security; that any deficit between expenses and revenues relevant for the UEFA (which requires the deduction investments in education, infrastructure and support to the community, among others), called break-even, may not exceed a cumulative amount of EUR 5 million (considering the current time and the previous two seasons) and will only be admissible if supplied by recourse to shareholders or to related entities.

The sanctions for failure to comply with these rules may include (i) warning, (ii) fines, (iii) retention of premiums paid and, ultimately, (iv) the prohibition to participate in competitions organized by UEFA. Currently, Benfica lies licensed to participate in European competitions of the season 2015/2016 and meets the main criteria of the Financial Fair Play.

Operational Risk - privileged relationship maintenance with the Club (OR)

The development of the main activity of Benfica SAD presupposes the existence and maintenance of a privileged relationship with the Club, which assures Benfica SAD, in particular, the use of sports facilities and Benfica's brand for professional football team in



Source: FM estimates

sports events. Any changes in this situation could significantly affect the development of Benfica SAD's normal activity. It is not expected to happen.

Market Risk (MR)

Market risk is the risk that changes in markets prices, including the level of exchange of foreign currencies, interest rates or the evolution of stock markets may affect the Group's results and its financial position.

The risk of exchange rate is mainly related to exposure resulting from transactions made in foreign currency but the Group is not particularly exposed to this type of risk since the transactions in foreign currency have been historically low.

The objective of market risk management policies involves essentially the monitoring of the evolution of interest rates affecting interest-bearing financial liabilities, contracted on the basis of rates interest indexed to the market evolution.

In addition, the Group decided to fix interest rates on a fraction of the medium/long term loans, having contracted interest rate swaps in order to cover interest rate risk for various loans, setting, this way, a maximum limit for the financial costs.

The Group's debt is, in part, indexed to variable interest rates depending on the markets development, exposing the cost of debt to a volatility risk.

Credit Risk (CR)

Credit risk arises from the inability of one or more counterparties to meet their contractual obligations. The Group's exposure to credit risk is mainly linked with the accounts receivable from the sale of athlete rights but also with other transactions related to the Group's activity, including television, sponsorship, advertising, space rentals, cabins and executive seats, among others.

In the case of accounts receivable related to the sale of athletes rights, Benfica SAD evaluates, previously, the entity's (buyer) ability to meet the established agreement, including the obtainment of some guarantees.

Regarding the type of clients of television, sponsorship and advertising revenues, the acceptance of these customers typically includes companies with reasonable size and recognition in the market, involving partnerships of medium/long term to mitigate the risk of failure by the authorities. Concerning space rentals, cabins and executive seats, these entities, usually, have already a long and lasting business relationship with the Group.

Liquidity Risk (LR)

Liquidity risk arises from the potential inability to finance the Group's assets or to meet the liabilities contracted in the respective maturity dates and at a reasonable price. To manage this risk, the Group seeks to match the maturities of assets and liabilities.

Refinancing Risk (RR)

The current macroeconomic and financial environment presents a set of constraints that have harmed the ability of domestic companies to finance, either via banking or via capital market. This could compromise the Group's ability to finance its current activity and some possible future investments. Actually, the Group is developing a process to substitute a significant part of its banking debt via bond launching.

Risks to Price Target

We computed a **sensitivity analysis** to estimate the impact of the main investment risks on SLBEN's price target. These risks are intrinsic to the valuation model, in this case de DCF model. We analyzed a possible shift in the growth rate, WACC rate, CRP and cost of debt (Table 20). Detailed information about the sensibility analysis can be found in Appendix 14.

Table 20: Sensibility Analysis summary

Variable	Low Estimate	Base Case	High Estimate
g	-0,20%	0,00%	0,20%
Price	0,63	1,63	2,68
CRP	3,00%	3,92%	5,00%
Price	2,78	1,63	0,39
WACC	6,40%	7,19%	8,00%
Price	5,18	1,63	-1,27
Rd	4,20%	5,00%	5,80%
Price	3,52	1,63	-0,03

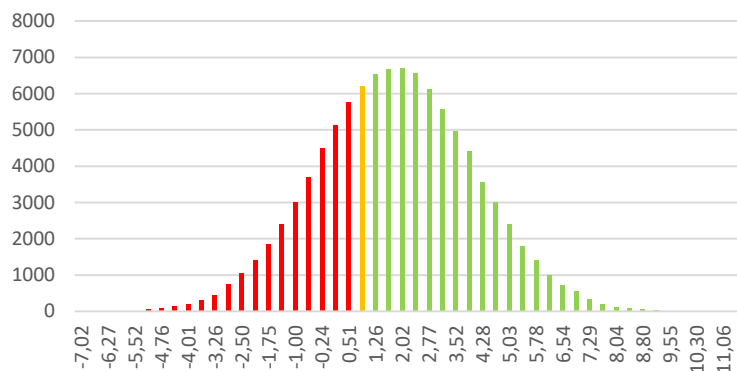
Source: FM estimates

To complement the sensitivity analysis, we computed a **Monte Carlo** simulation. We used the Crystal Ball Software with a total of 100 thousand trials. We tested g, WACC, CRP and, the main operational cost, personal expenses.

The mean of the price target of the Monte Carlos simulation is 1.63 €, representing an upside potential of 79% which is equal to the target price computed by the DCF model of 1.63€. (Tables 21 and 22)

According to Monte Carlo simulation, there is a probability of 56% of our BUY recommendation being accurate. (Figure 32 and Appendix 15)

Figure 32: Monte Carlo Simulation



Source: FM estimates and Crystal Ball software

Table 21: Monte Carlo percentile distribution

Percentil	Target Price	Upside/(Down.) Pot.
0%	-7,40	-912,92%
10%	-1,21	-232,99%
20%	-0,24	-126,54%
30%	0,45	-50,04%
40%	1,05	15,90%
50%	1,62	78,16%
60%	2,18	139,85%
70%	2,79	206,36%
80%	3,50	284,69%
90%	4,49	393,12%
100%	11,43	1156,24%

Source: FM estimates and Crystal Ball software

Table 22: Monte Carlo statistics

# of trials	100 000
Mean	1,63
Standard deviation	2,22
Min.	-7,40
Max.	11,43
10th percentil	-1,21
90th percentil	4,49
Upside potential	78,98%

Source: FM edition and Crystal Ball software

Appendices

Appendix 1: Statement of Financial Position

Asset	Historical				Forecast				
	30/06/2012	30/06/2013	30/06/2014	30/06/2015	30/06/2016	30/06/2017	30/06/2018	30/06/2019	30/06/2020
Non Current Asset									
Tangible Assets	157 675 841	160 951 939	164 416 000	166 630 000	171500000	180 000 000	180 000 000	185 000 000	185 000 000
Intangible Assets	105 039 413	115 799 421	109 476 000	104 667 000	130 000 000	130 000 000	125 000 000	135 000 000	136 500 000
Investments in subsidiaries	0	0	0	0	0	0	0	0	0
Investments in associated companies	2 995 240	2 388 892	4 058 000	24 000	24 000	24 000	24 000	24 000	24 000
Other Financial Assets	100	100	836 000	5 094 000	5 097 000	4 000 000	4 000 000	3 000 000	3 000 000
Investment Properties	7 338 989	7 006 639	6 674 000	6 690 000	6 690 000	7 248 328	6 820 477	6 571 545	6 448 329
Clients	25 250 360	6 963 687	0	9 926 000	10 000 000	13 278 475	12 815 057	12 617 715	10 000 000
Group Companies and Related Parties	35 968 796	43 916 820	46 339 000	46 638 000	33 200 000	30 000 000	20 000 000	3 000 000	3 000 000
Deferrals	0	0	0	359 000	393 000	393 000	393 000	393 000	393 000
Difered Taxes	0	0	0	347 000	347 000	347 000	347 000	347 000	347 000
Total Non Current Asset	334 268 739	337 027 498	331 799 000	340 375 000	357 251 000	365 290 804	349 399 534	345 953 260	344 712 329
Current Asset									
Other Financial Assets	5 335 466	4 739 381	4 795 000	0	0	0	0	0	0
Clients	53 595 312	51 801 488	79 691 000	62 733 000	60 000 000	50000000	55000000	50000000	53000000
Group Companies and Related Parties	6 478 495	227 192	139 000	1 674 000	2 102 000	2102000	2102000	2102000	2102000
Others	7 126 347	20 347 844	17 942 000	16 238 000	15 965 000	19073361,06	18407700,8	18124237,24	18124237,2
Deferrals	1 757 871	2 132 862	2 233 000	2 448 000	2743493,097	2751547,178	2655518,18	2614625,375	2614625,38
Cash and Equivalents	3 358 620	394 934	4 080 000	6 742 000	13435594,65	4189402,718	3231967,33	1166945,927	263834,064
Total Current Asset	77 652 111	79 643 701	108 880 000	89 835 000	94 246 088	78 116 311	81 397 186	74 007 809	76 104 697
Total Asset	411 920 850	416 671 199	440 679 000	430 210 000	451 497 088	443 407 115	430 796 720	419 961 069	420 817 025
Equity									
Starting Stockholders' Equity	115 000 000	115 000 000	115 000 000	115 000 000	115 000 000	115 000 000	115 000 000	115 000 000	115 000 000
Premium Shares	121 580	121 580	122 000	122 000	122 000	122 000	122 000	122 000	122 000
Fair Value Reserves	-2 818 032	-2 081 243	-2 935 000	-2 480 000	-1457626,263	-2 000 000	-2 000 000	-2 000 000	-2 000 000
Other Reserves	-1 158 240	-1 158 240	666 000	1 858 000	1 858 000	1 858 000	1 858 000	1 858 000	1 858 000
Accumulated Results	-113 607 688	-125 297 941	-135 419 000	-120 997 000	-113 868 000	-99 710 574	-97 623 888	-101 318 432	-94 204 565
Net Profit	-11 690 253	-10 393 584	14 165 000	7 072 000	14 157 426	2 086 686	-3 694 544	7 113 867	1 455 956
Total Equity	-14 152 633	-23 809 428	-8 401 000	575 000	15 811 800	17 356 112	13 661 568	20 775 435	22 231 391
Liabilities									
Non Current Liabilities									
Provisions	6 230 259	6 136 310	2 851 000	2 013 000	2 000 000	2 000 000	2 000 000	2 000 000	2 000 000
Liabilities for Post-Employment Benefits	1 244 788	1 572 575	1 634 000	1 653 000	1186854	1 500 000	1 500 000	1 500 000	1 500 000
Loans	96 578 280	115 761 806	126 261 000	72 549 000	155 988 000	102 241 000	87 241 000	126 641 000	75 641 000
Derivatives	12 765 928	11 720 836	12 076 000	10 965 000	10 182 000	12 000 000	12 000 000	12 000 000	12 000 000
Suppliers	24 245 281	7 581 959	1 655 000	6 562 000	7 500 000	12 260 515	11 832 623	11 650 410	11 650 410
Group Companies and Related Parties	0	0	0	0	0	0	0	0	0
Others	6 789 679	10 837 210	7 293 000	8 459 000	16 872 000	20 000 000	25 000 000	30 000 000	40 000 000
Deferrals	12 081 451	10 939 097	8 187 000	1 799 000	1 500 000	1 500 000	1 500 000	1 500 000	1 500 000
Difered Taxes	7 462 411	7 171 691	5 348 000	4 509 000	4 531 000	5 000 000	5 000 000	5 000 000	5 000 000
Total Non Current Liabilities	167 398 077	171 721 454	165 305 000	108 509 000	199 759 854	156 501 515	146 073 623	190 291 410	149 291 410
Current Liabilities									
Loans	172 050 719	162 662 872	191 279 000	238 915 000	141 313 748	154 418 000	159 418 000	98 736 000	139 136 000
Suppliers	42 493 588	49 860 829	31 962 000	27 394 000	35 000 000	46907765,41	45270684,4	44573552,92	44573552,9
Group Companies and Related Parties	0	53 847	0	5 000	190 000	190000	190000	190 000	190 000
Others	31 388 004	47 360 175	51 889 000	40 416 000	45 000 000	53033721,64	51182844,8	50394670,84	50394670,8
Deferrals	12 743 095	8 821 450	8 645 000	14 396 000	14 421 685	15000000	15000000	15 000 000	15 000 000
Total Current Liabilities	258 675 406	268 759 173	283 775 000	321 126 000	235 925 434	269 549 487	271 061 529	208 894 224	249 294 224
Total Liabilities	426 073 483	440 480 627	449 080 000	429 635 000	435 685 288	426 051 002	417 135 152	399 185 634	398 585 634
Total Equity + Liabilities	411 920 850	416 671 199	440 679 000	430 210 000	451 497 088	443 407 115	430 796 720	419 961 069	420 817 025

Source: Company data and FM estimates

Appendix 2: Income Statement

	Historical				Forecast				
	30/06/2012	30/06/2013	30/06/2014	30/06/2015	30/06/2016	30/06/2017	30/06/2018	30/06/2019	30/06/2020
Operating Income and Earnings									
Services	63 534 113	61 227 152	75 906 000	80 049 000	87 939 011	85 000 000	85637500	86279781,25	86926879,61
Other Operating Income and Earnings	27 584 685	27 078 600	29 133 000	21 925 000	40 551 186	40 000 000	35 000 000	32 500 000	40 000 000
	91 118 798	88 305 752	105 039 000	101 974 000	128 490 197	125 000 000	120 637 500	118 779 781	126 926 880
Operating Expenses and Losses									
Supplies and Services	-23 683 008	-26 632 911	-31 804 000	-32 190 000	-40 204 083	-37 231 233	-35 467 709	-34 120 421	-35 449 821
Personnel Expenses	-48 130 265	-50 430 758	-63 181 000	-59 607 000	-64 217 183	-62 000 000	-62 000 000	-60 000 000	-62 000 000
Depreciations/Amortizations	-8 854 976	-8 932 320	-13 883 000	-13 446 000	-15 351 916	-14 511 510	-13 824 147	-13 299 018	-13 817 174
Provisions/Impairments	-890 303	-2 076 508	2 251 000	793 000	100 000	-82 746	-78 827	-75 833	-78 787
Other Operating Expenses and Losses	-2 004 082	-4 551 713	-2 539 000	-2 024 000	-5 174 444	-3 934 142	-3 747 794	-3 605 429	-3 745 904
	-83 562 634	-92 624 210	-109 156 000	-106 474 000	-124 847 625	-117 759 632	-115 118 478	-111 100 701	-115 091 687
Operating Income Without Athletes	7 556 164	-4 318 458	-4 117 000	-4 500 000	3 642 572	7 240 368	5 519 022	7 679 081	11 835 193
Amortizations and Impairment Losses With Athletes Rights	-31 342 780	-29 995 373	-28 902 000	-30 408 000	-35 500 000	-47 500 000	-35 000 000	-35 000 000	-32 500 000
Revenues With Athletes Transactions	30 602 852	51 466 441	75 576 000	78 825 000	80 000 000	70 000 000	50 000 000	60 000 000	45 000 000
Expenses With Athletes Transactions	-1 690 659	-10 078 702	-9 031 000	-13 501 000	-14 360 577	-10098993,49	-7213566,775	-8656280,13	-6492210,098
Athletes Transactions Results	-2 430 587	11 392 366	37 643 000	34 916 000	30 139 423	12 401 007	7 786 433	16 343 720	6 007 790
Operating Income	5 125 577	7 073 908	33 526 000	30 416 000	33 781 994	19 641 375	13 305 456	24 022 801	17 842 983
Financial Revenues and Income	5 873 853	5 236 698	4 086 000	5 225 000	2 461 969	4 000 000	4 000 000	4 000 000	4 000 000
Financial Expenses and Losses	-22 795 645	-22 690 806	-23 705 000	-22 943 000	-21 886 537	-21 000 000	-21 000 000	-20 000 000	-20 000 000
Earnings from Investments in Associates	-27 998	-368 748	137 000	-5 892 000	0	0	0	0	0
Profit Before Taxes	-11 824 213	-10 748 948	14 044 000	6 806 000	14 357 426	2 641 375	-3 694 544	8 022 801	1 842 983
Taxes	133 960	355 364	121 000	266 000	-200 000	-554 689	0	-908 934	-387 026
Profit	-11 690 253	-10 393 584	14 165 000	7 072 000	14 157 426	2 086 686	-3 694 544	7 113 867	1 455 956
Earnings Per Share	-0,51	-0,45	0,62	0,31	0,615540276	0,090725483	-0,16063236	0,309298555	0,06330245

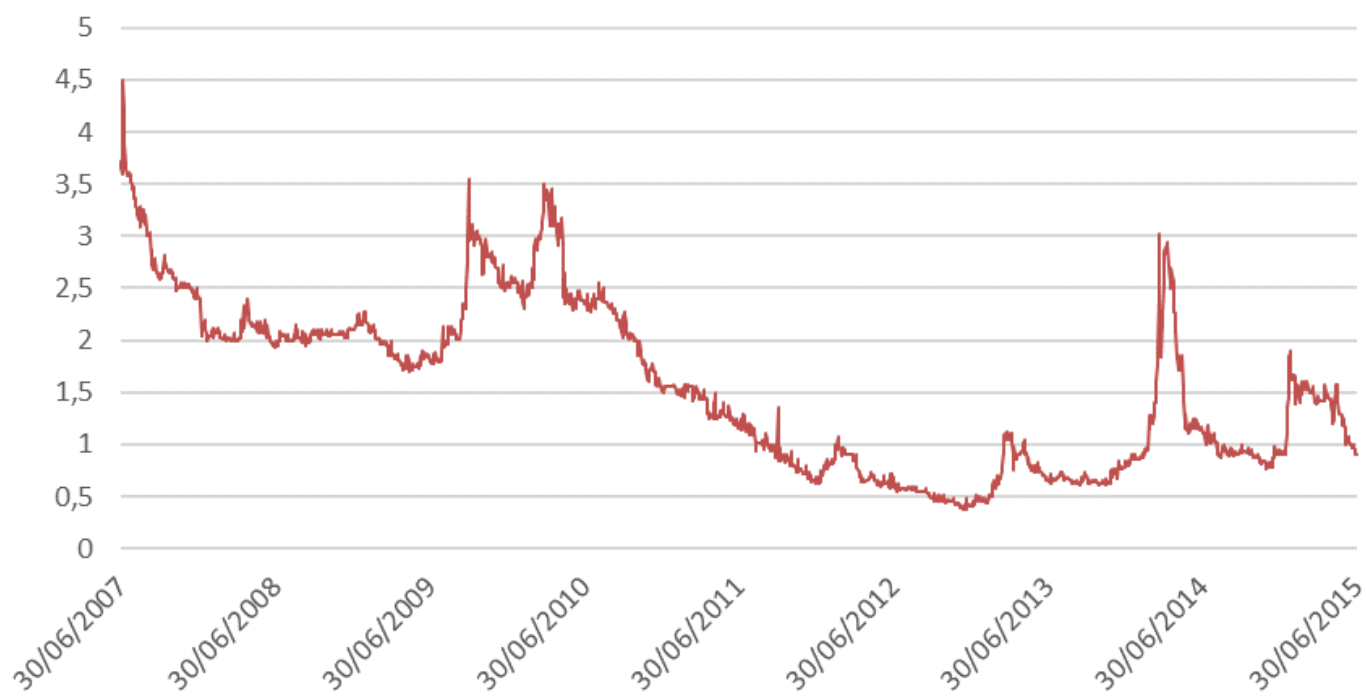
Source: Company data and FM estimates

Appendix 3: Cash Flow Statement

	Historical				Forecast				
	30/06/2012	30/06/2013	30/06/2014	30/06/2015	30/06/2016	30/06/2017	30/06/2018	30/06/2019	30/06/2020
Cash Flows from Operating Activities:									
Receipts from Customers	64 477 217	64 966 212	85 413 000	84 428 000	107 655 397	64 405 730	110 829 274	82 032 757	85 719 126
Payments to Suppliers	-32 345 180	-32 379 201	-48 776 000	-52 125 000	-64 204 083	-61 231 233	-59 467 709	-58 120 421	-59 449 821
Payments to Staff	-46 173 650	-48 715 050	-60 411 000	-58 077 000	-62 217 183	-59 500 000	-62 000 000	-58 000 000	-59 000 000
Cash Generated from Operations	-14 041 613	-16 128 039	-23 774 000	-25 774 000	-18 765 869	-56 325 503	-10 638 436	-34 087 664	-32 730 695
Payment/Receipt of Income Tax	-175 777	329 997	142 000	197 000	200 000	-344688,7125	0	1098642,417	-396417,3463
Other Operating Receipts/Payments	21 764 673	18 920 611	19 880 000	15 497 000	24 050 000	20 000 000	15 500 000	18 000 000	19 500 000
Net Cash from Operating Activities	7 547 283	3 122 569	-3 752 000	-10 080 000	5 484 131	-36 670 192	4 861 564	-14 989 022	-13 627 112
Cash Flows from Investing Activities									
Proceeds from:									
Intangible Assets	19 548 188	65 622 170	67 259 000	117 229 000	110 115 000	125 000 000	105 500 000	100 750 000	95 550 000
Interest and similar	223 317	749 681	83 000	16 000	0	0	0	0	0
Financial Investments	0	0	0	17 768 000	0	0	0	0	0
	19 771 505	66 371 851	67 342 000	135 013 000	110 115 000	125 000 000	105 500 000	100 750 000	95 550 000
Payments to:									
Tangible Assets	-2 651 429	-5 391 918	-8 536 000	-8 093 000	-8 575 000	-9 000 000	-9 000 000	-9 250 000	-9 250 000
Intangible Assets	-45 753 138	-65 590 595	-72 218 000	-57 718 000	-95 000 000	-90 000 000	-80 000 000	-85 000 000	-75 000 000
Financial Investments	0	0	0	-28 911 000	0	0	0	0	0
	-48 404 567	-70 982 513	-80 754 000	-94 722 000	-103 575 000	-99 000 000	-89 000 000	-94 250 000	-84 250 000
Net Cash from Investing Activities	-28 633 062	-4 610 662	-13 412 000	40 291 000	6 540 000	26 000 000	16 500 000	6 500 000	11 300 000
Cash Flows from Financial Activities									
Proceeds from:									
Borrowings	67 580 000	183 175 000	171 538 000	107 776 000	115 000 000	120 000 000	105 000 000	140 000 000	110 000 000
Borrowings from related parties	350 000	0	0	0	0	0	0	0	0
Loans to related parties	6 579 503	20 000	1 000 000	0	0	0	0	0	0
	74 509 503	183 195 000	172 538 000	107 776 000	115 000 000	120 000 000	105 000 000	140 000 000	110 000 000
Payments to:									
Interest and similar	-15 649 515	-18 614 652	-20 797 000	-19 688 000	-19 386 537	-18 500 000	-18 500 000	-17 500 000	-17 500 000
Borrowings	-34 584 684	-159 856 703	-128 606 000	-114 596 000	-100 051 000	-99 000 000	-107 743 000	-115 000 000	-90 000 000
Borrowings from related parties	0	0	-23 000	0	0	0	0	0	0
Loans to related parties	-6 537 488	-6 102 706	-1 200 000	-138 000	0	0	0	0	0
Amortizations of leasing contracts	-136 151	-134 987	-1 063 000	-904 000	-893 000	-1 076 000	-1 076 000	-1 076 000	-1 076 000
	-56 907 838	-184 709 048	-151 689 000	-135 326 000	-120 330 537	-118 576 000	-127 319 000	-133 576 000	-108 576 000
Net Cash from Financial Activities	17 601 665	-1 514 048	20 849 000	-27 550 000	-5 330 537	1 424 000	-22 319 000	6 424 000	1 424 000
Changes in the consolidation perimeter	0	38 455	0	0	0	0	0	0	0
Net increase/(decrease) in cash and cash equivalents	-3 484 114	-2 963 686	3 685 000	2 661 000	6 693 594	-9 246 192	-957 436	-2 065 022	-903 112
Cash and cash equivalents at beginning of year	6 842 734	3358620	394934	4 080 000	6 742 000	13435594,65	4189402,718	3231967,332	1166945,927
Cash and cash equivalents at end of year	3 358 620	394 934	4 080 000	6 742 000	13 435 595	4 189 403	3 231 967	1 166 946	263 834
	-3 484 114	-2 963 686	3 685 066	2 662 000	6 693 595	-9 246 192	-957 435	-2 065 021	-903 112

Source: Company data and FM estimates

Appendix 4: Historical Share Price



Source: Reuters.com and company report

Appendix 5: Forecasting Assumptions: Consolidated Balance Sheet

Consolidated Balance Sheet	Assumptions
Non Current Asset	
Tangible Assets	2016: equal to third quarter value + estimate Other years: estimate
Intangible Assets	2016: equal to added value from the appreciation of some athletes values and discounted by the athlete sales Other years: estimate
Investments in associated companies	Constant
Other Financial Assets	Decreasing over the years
Investment Properties	% of sales method
Clients	2016: estimate from the transactions of athletes Nico Gaitan and Renato Sanches Other years: estimate
Group Companies and Related Parties	Decreasing over the years mainly because of the change of plans in Benfica TV
Deferrals	Constant
Difered Taxes	Constant
Current Asset	
Clients	2016: estimate from the transactions of athletes Nico Gaitan and Renato Sanches Other years: estimate
Group Companies and Related Parties	Constant
Others	% of sales method
Cash and Equivalents	Estimate
Equity	
Starting Stockholders' Equity	Equal to 2015
Premium Shares	Equal to 2015
Fair Value Reserves	Constant
Other Reserves	Equal to 2015
Acumulated Results	In line with Income Statement
Net Profit	In line with Income Statement
Non Current Liabilities	
Provisions	Constant
Liabilities for Post-Employment Benefits	Constant
Loans	2016: Non Convertible Bonds "Benfica SAD 2016-2019" issued 2017: Non Convertible Bonds "Benfica SAD 2015-2018" is now a current liability 2018: New 3y Non Convertible Bond Loan of 45M€ issued to pay the "Benfica SAD 2015-2018" Bonds 2019: New Non Convertible Bond of 50M€ issued to pay the "Benfica SAD 2016-2019" Bonds 2020: The Loan issued to pay the Non Convertible Bonds "Benfica SAD 2015-2018" is now a current liability
Derivatives	Constant
Suppliers	% of sales method
Others	Constant
Deferrals	Constant
Difered Taxes	Constant
Current Liabilities	
Loans	2016: Non Convertible Bonds "Benfica SAD 2016" principal paid 2017: Non Convertible Bonds "Benfica SAD 2015-2018" is now a current liability 2018: Non Convertible Bonds "Benfica SAD 2016-2019" is now a current liability and "Benfica SAD 2015-2018" paid 2019: Non Convertible Bonds "Benfica SAD 2016-2019" paid 2020: The Loan issued to pay the Non Convertible Bonds "Benfica SAD 2015-2018" is now a current liability
Suppliers	% of sales method
Group Companies and Related Parties	Constant
Others	% of sales method
Deferrals	Constant

Source: FM estimates

Appendix 6: Forecasting Assumptions: % of sales method for Consolidated Balance Sheet

	2012	2013	2014	2015	2016F	2017F	2018F	2019F
Sales	91118798	88305752	105039000	101974000	128 490 197	125 000 000	120637500	118779781,3
Non Current Asset								
Tangible Assets	173,04%	182,27%	156,53%	163,40%	133,47%	144,00%	149,21%	155,75%
Intangible Assets	115,28%	131,13%	104,22%	102,64%	101,18%	104,00%	103,62%	113,66%
Investments in subsidiaries	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Investments in associated companies	3,29%	2,71%	3,86%	0,02%	0,02%	0,02%	0,02%	0,02%
Other Financial Assets	0,00%	0,00%	0,80%	5,00%	3,97%	3,20%	3,32%	2,53%
Investment Properties	8,05%	7,93%	6,35%	6,56%	5,21%	5,80%	5,65%	5,53%
Clients	27,71%	7,89%	0,00%	9,73%	7,78%	10,62%	10,62%	10,62%
Group Companies and Related Parties	39,47%	49,73%	44,12%	45,74%	25,84%	24,00%	16,58%	2,53%
Deferrals	0,00%	0,00%	0,00%	0,35%	0,31%	0,31%	0,33%	0,33%
Difered Taxes	0,00%	0,00%	0,00%	0,34%	0,27%	0,28%	0,29%	0,29%
Total Non Current Asset	366,85%	381,66%	315,88%	333,79%	278,04%	292,23%	289,63%	291,26%
Current Asset								
Other Financial Assets	5,86%	5,37%	4,56%	0,00%	0,00%	0,00%	0,00%	0,00%
Clients	58,82%	58,66%	75,87%	61,52%	46,70%	40,00%	45,59%	42,09%
Group Companies and Related Parties	7,11%	0,26%	0,13%	1,64%	1,64%	1,68%	1,74%	1,77%
Others	7,82%	23,04%	17,08%	15,92%	12,43%	15,26%	15,26%	15,26%
Deferrals	1,93%	2,42%	2,13%	2,40%	2,14%	2,20%	2,20%	2,20%
Cash and Equivalents	3,69%	0,45%	3,88%	6,61%	10,46%	3,35%	2,68%	0,98%
Total Current Asset	85,22%	90,19%	103,66%	88,10%	73,35%	62,49%	67,47%	62,31%
Total Asset	452,07%	471,85%	419,54%	421,88%	351,39%	354,73%	357,10%	353,56%
Equity								
Starting Stockholders' Equity	126,21%	130,23%	109,48%	112,77%	89,50%	92,00%	95,33%	96,82%
Premium Shares	0,13%	0,14%	0,12%	0,12%	0,09%	0,10%	0,10%	0,10%
Fair Value Reserves	-3,09%	-2,36%	-2,79%	-2,43%	-1,13%	-1,60%	-1,66%	-1,68%
Other Reserves	-1,27%	-1,31%	0,63%	1,82%	1,45%	1,49%	1,54%	1,56%
Accumulated Results	-124,68%	-141,89%	-128,92%	-118,65%	-88,62%	-79,77%	-80,92%	-85,30%
Net Profit	-12,83%	-11,77%	13,49%	6,94%	11,02%	1,67%	-3,06%	5,99%
Total Equity	-15,53%	-26,96%	-8,00%	0,56%	12,31%	13,88%	11,32%	17,49%
Liabilities								
Non Current Liabilities								
Provisions	6,84%	6,95%	2,71%	1,97%	1,56%	1,60%	1,66%	1,68%
Liabilities for Post-Employment Benefits	1,37%	1,78%	1,56%	1,62%	0,92%	1,20%	1,24%	1,26%
Loans	105,99%	131,09%	120,20%	71,14%	121,40%	81,79%	72,32%	106,62%
Derivatives	14,01%	13,27%	11,50%	10,75%	7,92%	9,60%	9,95%	10,10%
Suppliers	26,61%	8,59%	1,58%	6,43%	5,84%	9,81%	9,81%	9,81%
Group Companies and Related Parties	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Others	7,45%	12,27%	6,94%	8,30%	13,13%	16,00%	20,72%	25,26%
Deferrals	13,26%	12,39%	7,79%	1,76%	1,17%	1,20%	1,24%	1,26%
Difered Taxes	8,19%	8,12%	5,09%	4,42%	3,53%	4,00%	4,14%	4,21%
Total Non Current Liabilities	183,71%	194,46%	157,37%	106,41%	155,47%	125,20%	121,08%	160,21%
Current Liabilities								
Loans	188,82%	184,20%	182,10%	234,29%	109,98%	123,53%	132,15%	83,13%
Suppliers	46,64%	56,46%	30,43%	26,86%	27,24%	37,53%	37,53%	37,53%
Group Companies and Related Parties	0,00%	0,06%	0,00%	0,00%	0,15%	0,15%	0,16%	0,16%
Others	34,45%	53,63%	49,40%	39,63%	35,02%	42,43%	42,43%	42,43%
Deferrals	13,99%	9,99%	8,23%	14,12%	11,22%	12,00%	12,43%	12,63%
Total Current Liabilities	283,89%	304,35%	270,16%	314,91%	183,61%	215,64%	224,69%	175,87%
Total Liabilities	467,60%	498,81%	427,54%	421,32%	339,08%	340,84%	345,78%	336,07%
Total Equity + Liabilities	452,07%	471,85%	419,54%	421,88%	351,39%	354,73%	357,10%	353,56%

Source: Company data and FM estimates

Means by year:				
1,688109572	1,617434092	1,587861744	1,574177689	1,572093494
1,133192698	1,108904226	1,097420188	1,088669026	1,094655032
0	0	0	0	0
0,024698236	0,019795946	0,016528621	0,01419581	0,012446591
0,014478772	0,019516697	0,021597247	0,023248667	0,023499687
0,072257891	0,068219558	0,066514069	0,065088768	0,063868354
0,113328018	0,106227804	0,106227804	0,106227804	0,106227804
0,447646205	0,409794058	0,381495049	0,35067946	0,310001631
0,000880126	0,001315821	0,001620517	0,0018544	0,00203618
0,000850707	0,001220685	0,001479904	0,001679401	0,001834648
3,495442225	3,352428887	3,280745144	3,225821026	3,186663419
0,039468723	0,031574978	0,026312482	0,022553556	0,019734361
0,637168261	0,603126947	0,569272456	0,553078006	0,536561638
0,022852872	0,021554143	0,020764452	0,020287259	0,019963429
0,15967093	0,152586888	0,152586888	0,152586888	0,152586888
0,022177529	0,022012377	0,022012377	0,022012377	0,022012377
0,036572437	0,050170976	0,047395017	0,044451548	0,040123161
0,917910752	0,881026311	0,838343674	0,814969636	0,790981855
4,413352977	4,233455198	4,119088817	4,040790661	3,977645274
1,196737988	1,136392373	1,100326977	1,079318708	1,06542615
0,001267242	0,001203691	0,001165742	0,001143678	0,001129107
-0,026689385	-0,02362036	-0,0223503	-0,02152577	-0,020939784
-0,000316683	0,002638703	0,004676253	0,006208433	0,007387678
-1,285373054	-1,205538424	-1,137562785	-1,090658579	-1,060950497
-0,010447778	0,013678363	0,014180884	0,007780019	0,01429392
-0,12482167	-0,075245653	-0,039563227	-0,017733511	0,006346574
0,046186777	0,040062499	0,036052083	0,033270156	0,031216121
0,015808898	0,014494503	0,014078752	0,01384378	0,013691859
1,07108043	1,099665747	1,052709456	1,005631892	1,013200798
0,123831602	0,114913961	0,111761635	0,110005909	0,108883582
0,108012597	0,09808412	0,09808412	0,09808412	0,09808412
0	0	0	0	0
0,087405542	0,096186359	0,106821966	0,121166315	0,137591556
0,088012877	0,07274511	0,062620925	0,055451357	0,050098489
0,064560873	0,058701376	0,05558448	0,053564766	0,052131009
1,604899596	1,594853676	1,537713417	1,491018295	1,504897534
1,973543349	1,798795037	1,704886531	1,650111749	1,547754353
0,400979074	0,375262123	0,375262123	0,375262123	0,375262123
0,000164703	0,000427505	0,000609587	0,000747499	0,000854011
0,442781899	0,424269773	0,424269773	0,424269773	0,424269773
0,115806027	0,115092737	0,115910614	0,117114733	0,118260906
2,93327505	2,713847174	2,620938628	2,567505877	2,466401167
0	0	0	0	0
4,538174647	4,30870085	4,158652045	4,058524172	3,971298701
0	0	0	0	0
4,413352977	4,233455198	4,119088817	4,040790661	3,977645274

Source: FM edition

Appendix 7: Forecasting Assumptions: Consolidated Income Statement

Consolidated Income Statement	Assumptions for 2016
Operating Income and Earnings	
Services	
TV	Considering that Benfica went further in Champions League than the year before, the Tv revenues have to be higher
Sponsors	New and better sponsor contracts
Corporate	Estimate
Tickets	Estimate
Season Tickets	Estimate
Cachets	Due to the 2015/2016 pre season in USA and México
Levies	Estimate
Space Rentals	Estimate
Others	Estimate
Other Operating Income and Earnings	
UEFA Premiums	The prize of participation on the UEFA Champions League quarter-finals was about 5 Million € and it was not registered
Insure Claims	Estimate
Royalties	Constant
Technical Assistance	Estimate
Others	Estimate
Operating Expenses and Losses	
Supplies and Services	Estimate
Personnel Expenses	Estimate
Depreciations/Amortizations	Constant
Provisions/Impairments	Constant
Other Operating Expenses and Losses	Estimate
Amortizations and Impairment Losses With Athletes Rights	Estimate
Revenues With Athletes Transactions	The transfers of Renato Sanches (35M€ + 45M€(future objectives)) and Nico Gaitán (25M€) were not accounted in the interim report
Expenses With Athletes Transactions	Estimate
Financial Revenues and Income	Estimate
Financial Expenses and Losses	Estimate

Source: FM estimates

Consolidated Income Statement	Assumptions from 2017 to 2020
Operating Income and Earnings	
Services	Growing at 0.075% from €85 million
Other Operating Income and Earnings	Estimate
Operating Expenses and Losses	
Supplies and Services	% of sales method
Personnel Expenses	Estimate
Depreciations/Amortizations	% of sales method
Provisions/Impairments	% of sales method
Other Operating Expenses and Losses	% of sales method
Amortizations and Impairment Losses With Athletes Rights	Estimate
Revenues With Athletes Transactions	Estimate
Expenses With Athletes Transactions	% of sales method
Financial Revenues and Income	Constant
Financial Expenses and Losses	Estimate

Source: FM estimates

Appendix 8: Forecasting Assumptions: % of sales method for Consolidated Income Statement

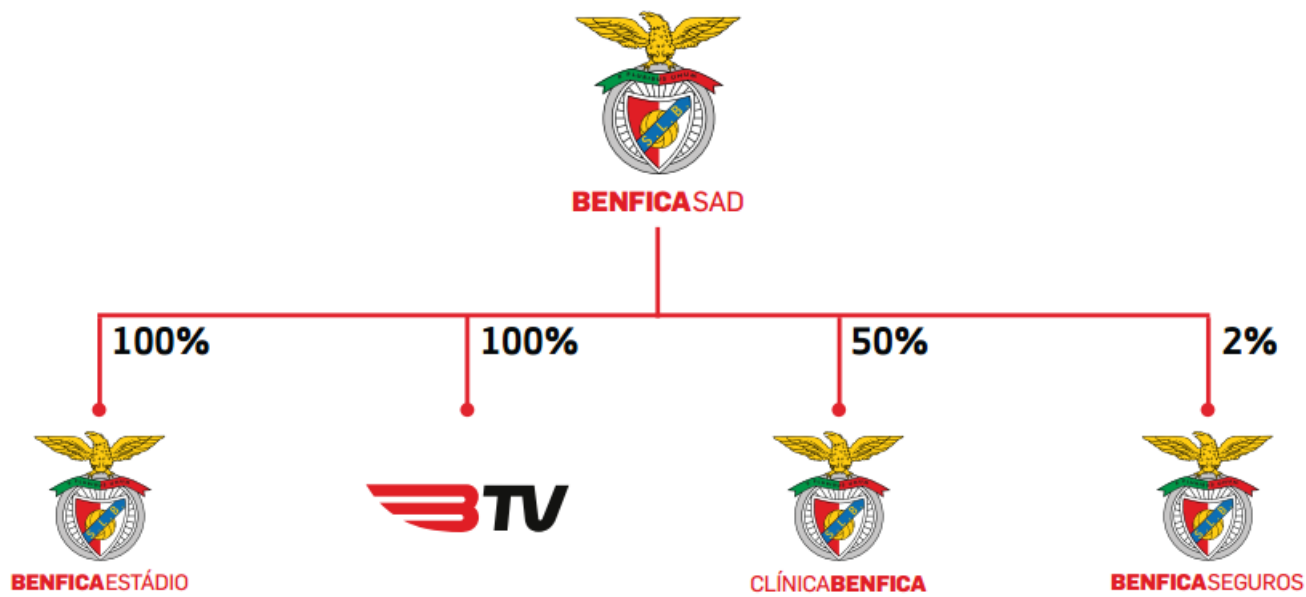
	2012	2013	2014	2015	2016F	2017F	2018F	2019F	2020F
Operating Income and Earnings									
Services	63534113	61227152	75906000	80049000	87939010,67	95502180,95	103715819,6	112635870	122323086,8
Other Operating Income and Earnings	27584685	27078600	29133000	21925000	42051186,22	40000000	40000000	40000000	40000000
	91118798	88305752	105039000	101974000	129990196,9	135502181	143715819,6	152635870	162323086,8
Operating Expenses and Losses									
Supplies and Services	-25,99%	-30,16%	-30,28%	-31,57%	-30,93%	-27,48%	-24,68%	-22,35%	-21,84%
Personnel Expenses	-52,82%	-57,11%	-60,15%	-58,45%	-49,40%	-45,76%	-43,14%	-39,31%	-38,20%
Depreciations/Amortizations	-9,72%	-10,12%	-13,22%	-13,19%	-11,81%	-10,71%	-9,62%	-8,71%	-8,51%
Provisions/Impairments	-0,98%	-2,35%	2,14%	0,78%	0,08%	-0,06%	-0,05%	-0,05%	-0,05%
Other Operating Expenses and Losses	-2,20%	-5,15%	-2,42%	-1,98%	-3,98%	-2,90%	-2,61%	-2,36%	-2,31%
Operating Income Without Athletes	8,29%	-4,89%	-3,92%	-4,41%	2,80%	5,34%	3,84%	5,03%	7,29%
Amortizations and Impairment Losses With Athletes Rights	-34,40%	-33,97%	-27,52%	-29,82%	-27,31%	-35,05%	-24,35%	-22,93%	-20,02%
Revenues With Athletes Transactions	33,59%	58,28%	71,95%	77,30%	61,54%	51,66%	34,79%	39,31%	27,72%
Expenses With Athletes Transactions	-1,86%	-11,41%	-8,60%	-13,24%	-11,05%	-7,45%	-5,02%	-5,67%	-4,00%
Athletes Transactions Results	-2,67%	12,90%	35,84%	34,24%	23,19%	9,15%	5,42%	10,71%	3,70%
Operating Income	5,63%	8,01%	31,92%	29,83%	25,99%	14,50%	9,26%	15,74%	10,99%
Financial Revenues and Income	6,45%	5,93%	3,89%	5,12%	1,89%	2,95%	2,78%	2,62%	2,46%
Financial Expenses and Losses	-25,02%	-25,70%	-22,57%	-22,50%	-16,84%	-15,50%	-14,61%	-13,10%	-12,32%
Earnings from Investments in Associates	-0,03%	-0,42%	0,13%	-5,78%	0,00%	0,00%	0,00%	0,00%	0,00%
Profit Before Taxes	-12,98%	-12,17%	13,37%	6,67%	11,05%	1,95%	-2,57%	5,26%	1,14%
Taxes									
Profit	-12,83%	-11,77%	13,49%	6,94%	10,89%	1,54%	-2,57%	4,66%	0,90%

Source: Company data and FM estimates

Means by year:				
-29,50%	-29,78%	-29,40%	-28,73%	-27,93%
-57,13%	-55,59%	-53,95%	-52,40%	-50,77%
-11,56%	-11,61%	-11,46%	-11,20%	-10,89%
-0,10%	-0,07%	-0,07%	-0,06%	-0,06%
-2,94%	-3,15%	-3,11%	-3,04%	-2,95%
-31,43%	-30,60%	-31,34%	-30,35%	-29,42%
60,28%	60,53%	59,05%	55,59%	53,55%
-8,78%	-9,23%	-8,93%	-8,38%	-8,04%
20,08%	20,70%	18,77%	16,87%	16,10%
18,85%	20,27%	19,31%	17,87%	17,61%
5,35%	4,66%	4,37%	4,15%	3,96%
-23,94%	-22,52%	-21,35%	-20,39%	-19,48%
-1,52%	-1,22%	-1,02%	-0,87%	-0,76%
-1,28%	1,19%	1,31%	0,76%	1,32%
-1,04%	1,34%	1,38%	0,81%	1,29%

Source: Company data and FM estimates

Appendix 9: Business Structure



Source: Company data

Appendix 10: Valuation Methods

Discounted Cash Flow Model (DCF)

This method focuses on the cash flows to all of the firm's investors, both debt and equity holders (DeMarzo, 2010). This method values companies based on their NPV of its future cash flows which are discounted by a certain rate (Stieger, 2008).

To estimate a firm's enterprise value, we compute the present value of the free cash flows. The FCFF is computed according the following formula:

$$FCFF = EBIT * (1 - \text{Marginal tax rate}) + \text{Depreciations/Amortizations} - \text{CapEx} - \text{Net increase in NWC}$$

Once the FCFF is computed, we have to estimate the company's Enterprise Value by the present value of the firm's FCFF.

To compute the present value of the cash flows, we need to compute the appropriated rate. In this case, the appropriated rate is the Weighted Average Cost of Capital (WACC). According to the adaptation of Modigliani & Miller (1958):

$$WACC = (E/(D+E)) * Re + (D/(D+E)) * Rd * (1-t)$$

To compute this rate, we also have to compute the Cost of Equity (Re). The formula used is derived from Sharpe, Markowitz and Miller (1990) CAPM:

$$Re = Rf + \beta * MRP + CRP$$

Once the FCFF is computed and discounted, yearly, at the appropriated rate, we have to compute the Terminal Value using the following formula:

$$TV = [FCFF * (1 + g)] / [(WACC - g)]$$

Simplifying, using the formula represented below, we reach the Enterprise Value of the firm:

$$EV = \sum_{n=1}^{t=n} \frac{FCFF_n}{(1 + R_{wacc})^n} + \frac{TV}{(1 + R_{wacc})^n}$$

Relative Valuation: Multiples Method

According to Damodaran, in a relative valuation; all that you are concluding is that a stock is under or overvalued, relative to the comparable group.

This method values companies based on how similar companies are currently priced in the market (Damodaran, 2012). There are several types of multiples that can be considered depending on the companies considered. The most common multiple is the Price/Earnings per Share. Other multiples like EV/Sales, EV/EBITDA, EV/FCF, P/Sales or P/BV also common to be used in this type of valuations. The company's value is obtained by multiplying the ratio from the comparable companies by the measure performance of the company being valued (Kaplan and Ruback, 1994).

This method is used mostly in a second stage of valuation, after using another valuation method in order to make a comparison between the firm value and the firms that can be considered as comparable (Fernandez, 2001).

Appendix 11: Discounted Cash Flow Assumptions

Target Ratios:	
g	0,00%
Rf	3,006%
CRP	3,92%
Rm-Rf	6,25%
Beta	1,25
Re	14,74%
Rd	5%
D/(D+E)	70%
E/(D+E)	30%
t	21%
WACC	7,19%

Source: FM edition

- Risk Free Rate – 3,006% according to the 10 year Portuguese Government Bond on June 30 2016;
- Country Risk Premium – 3.92% according to the Aswath Damodaran's calculations from July 2016;
- Market Risk Premium – 6.25% according to the Aswath Damodaran's calculations from July 2016;
- Beta – 1.25 according to Reuters.com;
- Cost of Debt – 5% according to the mean of interest expense over debt that the company has paid over the years and also the mean of the rates of the last issued bond loans;
- Weight of Debt and Equity – 70 and 30%, respectively, according to the evolution of the capital structure and the pretended weights in the future;
- Tax Rate – 21% according to the tax rate imposed by law.

Appendix 12: Discounted Cash Flow Analysis

	2016F	2017F	2018F	2019F	2020F
Current Assets	80 810 493	73 926 908	78 165 219	72 840 863	75 840 863
Current Liabilities	235 925 434	269 549 487	271 061 529	208 894 224	249 294 224
NWC	-155 114 941	-195 622 579	-192 896 310	-136 053 361	-173 453 361
Var. NWC	82 918 059	-40 507 638	2 726 269	56 842 949	-37 400 000

	2016F	2017F	2018F	2019F	2020F
EBIT	33 781 994	19 641 375	13 305 456	24 022 801	17 842 983
EBIT(1-T)	26 687 776	15 516 686	13 305 456	18 978 012	14 095 956
DEP.	15 351 916	14 511 510	13 824 147	13 299 018	13 817 174
CapEX	20 221 916	23 011 510	13 824 147	18 299 018	13 817 174
Net Invest. Intang. Assets	25 333 000	0	-5 000 000	10 000 000	1 500 000
Var. NWC	82 918 059	-40 507 638	2 726 269	56 842 949	-37 400 000

	2016F	2017F	2018F	2019F	2020F	Perpetuity from n+1
FCFF	-86 433 284	47 524 324	15 579 187	-52 864 937	49 995 956	49 995 956
						695 687 866
DCF	-80638180,69	41365222,63	12650972,61	-40050371,18	35337304,39	491714444,2

EV	460 379 392
Net Debt	422 893 000
EV-NetDebt	37 486 392
# shares outstanding	23 000 000
Target Price	1,63
Current Price	91%
Upside/(Down.) Potential	79%

Source: FM edition

Appendix 13: Comparable Multiples

SLB Historical					F
Years	2012	2013	2014	2015	2016
EPS	-0,51	-0,45	0,62	0,31	0,615540276
EV	408 562 230	416 276 265	436 599 000	423 468 000	438 061 493
EBITDA	46 213 636	48 078 109	74 060 000	73 477 000	84 533 910
Sales	91 118 798	88 305 752	105 039 000	101 974 000	128 490 197
Price	0,69	0,66	1,10	0,911	

FCP Historical				
Years	2012	2013	2014	2015
EPS	-2,38	1,36	-2,71	1,29
EV	220 727 000	237 853 000	200 396 000	369 235 000
EBITDA	12 223 000	58 285 000	1 817 000	69 162 000
Sales	70 184 000	75 441 000	70 613 000	90 589 000
Price	0,42	0,33	0,51	0,54

SCP Historical				
Years	2012	2013	2014	2015
EPS	-1,18	-1,12	0,009	0,335
EV	154 408 000	149 500 000	146 752 000	245 542 000
EBITDA	-16 983 000	-12 981 000	13 710 000	41 893 000
Sales	40 765 000	32 001 000	35 344 000	53 382 000
Price	0,27	0,30	0,63	0,55

SCB Historical				
Years	2012	2013	2014	2015
EPS	4,36	4,67	-1,93	-1,10
EV	38 051 503	45 538 680	37 055 086	40 356 739
EBITDA	8 600 000	8 900 000	1 769 697	2 920 000
Sales	13 190 000	23 155 944	8 903 591	10 139 261
Price	0,22	0,56	0,54	0,77

JUVE Historical				
Years	2012	2013	2014	2015
EPS	-0,09	-0,02	-0,007	0,002
EV	427 780 347	443 366 100	495 921 231	474 268 339
EBITDA	7 467 731	56 711 196	69 170 590	85 088 875
Sales	195 352 730	272 404 408	279 351 575	324 666 367
Price	0,18	0,20	0,23	0,27

OLG Historical				
Years	2012	2013	2014	2015
EPS	-1,64	-1,09	-0,35	-0,28
EV	181 753 000	202 570 000	305 443 000	428 177 000
EBITDA	7 126 000	10 541 000	-7 200 000	-7 500 000
Sales	131 934 000	101 453 000	104 400 000	96 300 000
Price	2,82	2,13	2,63	1,87

CFC Historical				
Years	2012	2013	2014	2015
EPS	-5,93	8,95	10,18	-5,03
EV	80 409 000	80 404 000	96 768 000	95 467 000
EBITDA	-3 949 000	13 934 000	4 074 000	-3 189 000
Sales	89 749 000	60 776 000	76 633 000	60 467 000
Price	40,84	65,11	88,19	88,20

EV/EBITDA					
Years	2012	2013	2014	2015	Mean
SLB	8,840729	8,658333	5,895207	5,763273	
FCP	18,05833	4,080861	110,2895	5,338698	
SCP	-9,09192	-11,5168	10,70401	5,86117	
SCB	4,424593	5,116706	20,93866	13,8208	
JUVE	57,28385	7,817964	7,169539	5,5738	
OLG	25,50561	19,21734	-42,4226	-57,0903	
CFC	-20,3619	5,770346	23,75258	-29,9363	
Mean	12,63643	5,081064	21,73861	-9,40536	7,512687

EV/EBITDA		2016F
Average EV/Sales		7,51
EV		635076808
Equity Value		212183808
# shares outstanding		23 000 000
Target Price from Rel. Valuation		9,23
Current Price		0,91
Upside/(Down.) Potential		913,78%

P/EPS					
Years	2012	2013	2014	2015	Mean
SLB	-1,35294	-1,46667	1,774194	2,93871	
FCP	-0,17647	0,242647	-0,18819	0,418605	
SCP	-0,22881	-0,26786	70	1,641791	
SCB	0,050459	0,119914	-0,27979	-0,7	
JUVE	-2	-10	-32,8571	135	
OLG	-1,71951	-1,95413	-7,51429	-6,67857	
CFC	-6,88702	7,27486	8,663065	-17,5348	
Mean	-1,82689	-0,76409	6,303942	18,69117	5,601032

Price/EPS		2016F
EPS		0,62
Average Price/EPS		5,60
Target Price from Rel. Valuation		3,45
Current Price		0,91
Equity Value		79296198
EV		502189198
Upside/(Down.) Potential		278,86%

EV/Sales					
Years	2012	2013	2014	2015	Mean
SLB	4,483841	4,714033	4,156542	4,152706	
FCP	3,144976	3,152835	2,837948	4,075936	
SCP	3,787759	4,671729	4,152105	4,599715	
SCB	2,884875	1,966609	4,161814	3,980245	
JUVE	2,189784	1,627603	1,775258	1,460787	
OLG	1,377605	1,996688	2,925699	4,446282	
CFC	0,895932	1,322956	1,262746	1,578828	
Mean	3,272537	3,263724	3,717289	4,218632	3,618045

EV/Sales		2016F
Average EV/Sales		3,62
EV		464883370
Equity Value		41990370
# shares outstanding		23 000 000
Target Price from Rel. Valuation		1,83
Current Price		0,91
Upside/(Down.) Potential		100,62%

Source: FM edition

Appendix 14: Sensitivity Analysis

We applied the BPI's investment rating and classification (table below) and we consider that SLEBN as a high risk company.

	Low Risk	Medium Risk	High Risk
Buy	> 15%	> 20%	> 30%
Neutral	> 5% and < 15%	> 10% and < 20%	> 15% and < 30%
Reduce	> -10% and < 5%	> -10% and < 10%	> -10% and < 15%
Sell	< -10%	< -10%	< -10%

g	-0,20%	-0,15%	-0,10%	-0,05%	0,00%	0,05%	0,10%	0,15%	0,20%
Perpetuity	48996037,23	49246017	49495996,8	49745976,6	49995956	50245936,13	50495915,9	50745895,7	50995875,48
Terminal V.	663314229,6	671242164	679278901	687426696	695687866	704064795,1	712559933	721175799,2	729914986,4
Discount. TV	468832652,6	474436143	480116534	485875422	491714444	497635284,7	503639676	509729398	515906283,8
EV	437497600,3	443101090	448781482	454540370	460379392	466300232,4	472304623	478394345,7	484571231,6
EV-NetDebt	14 604 600	20 208 090	25 888 482	31 647 370	37 486 392	43 407 232	49 411 623	55 501 346	61 678 232
Target Price	0,63	0,88	1,13	1,38	1,63	1,89	2,15	2,41	2,68

CRP	3,00%	3,20%	3,40%	3,60%	3,92%	4,25%	4,50%	4,75%	5,00%
Re	13,82%	14,02%	14,22%	14,42%	14,74%	15,07%	15,32%	15,57%	15,82%
Wacc	6,91%	6,97%	7,03%	7,09%	7,19%	7,29%	7,36%	7,44%	7,51%
Terminal V.	723472898	717245502	711124398	705106887	695687866	686234482,7	679242127	672390829,9	665676366,6
EV	486799872,5	480870348	475046429	469325422	460379392	451411964,2	444786535	438301115,7	431951485,2
EV-NetDebt	63 906 872	57 977 348	52 153 429	46 432 422	37 486 392	28 518 964	21 893 535	15 408 116	9 058 485
Target Price	2,78	2,52	2,27	2,02	1,63	1,24	0,95	0,67	0,39

Rd	4,20%	4,40%	4,60%	4,80%	5,00%	5,20%	5,40%	5,60%	5,80%
Wacc	6,74%	6,85%	6,97%	7,08%	7,19%	7,30%	7,41%	7,52%	7,63%
Terminal V.	741323315,1	729362214	717780964	706561753	695687866	685143602	674914196	664985752,9	655345183,2
EV	503820593,5	492411552	481380021	470708201	460379392	450377903,6	440688985	431298754,3	422194134,2
EV-NetDebt	80 927 594	69 518 552	58 487 021	47 815 201	37 486 392	27 484 904	17 795 985	8 405 754	-698 866
Target Price	3,52	3,02	2,54	2,08	1,63	1,19	0,77	0,37	-0,03

WACC	6,40%	6,60%	6,80%	7,00%	7,19%	7,40%	7,60%	7,80%	8,00%
Terminal V.	781186818	757514490	735234652	714227948	695687866	675621031,8	657841531	640973799,4	624949454,4
EV	541951153,3	519288709	498010999	477998748	460379392	428226015,3	424550413	408647204,8	393580089,7
EV-NetDebt	119 058 153	96 395 709	75 117 999	55 105 748	37 486 392	5 333 015	1 657 413	-14 245 795	-29 312 910
Target Price	5,18	4,19	3,27	2,40	1,63	0,23	0,07	-0,62	-1,27

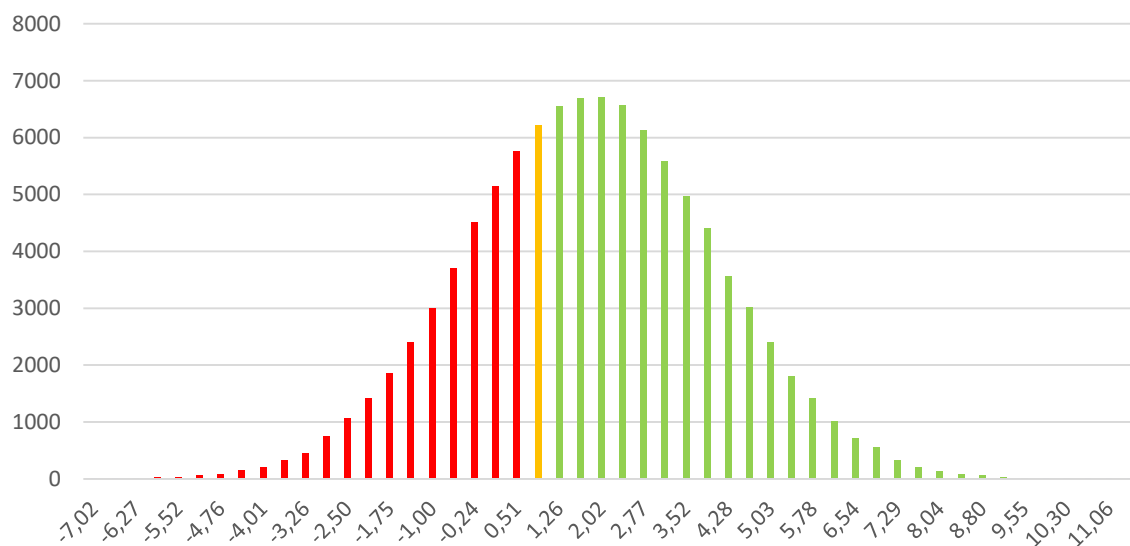
Source: FM edition

Appendix 15: Monte Carlo Simulation

# of trials	100 000
Mean	1,63
Standard deviation	2,22
Min.	-7,40
Max.	11,43
10th percentil	-1,21
90th percentil	4,49
Upside potential	78,98%

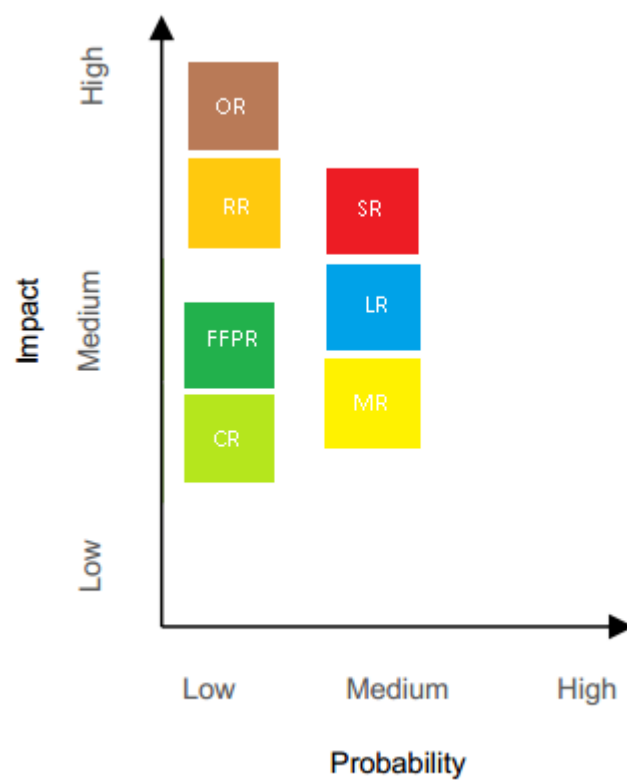
Variable	Mean	Std. Dev.	Distr.
g	0,00%	0,05%	Normal
CRP	3,92%	0,10%	Normal
WACC	7,19%	0,10%	Normal
Personal Expenses	-62 000 000	-6 000 000	Normal

Percentil	Target Price	Upside/(Down.) Pot.
0%	-7,40	-912,92%
10%	-1,21	-232,99%
20%	-0,24	-126,54%
30%	0,45	-50,04%
40%	1,05	15,90%
50%	1,62	78,16%
60%	2,18	139,85%
70%	2,79	206,36%
80%	3,50	284,69%
90%	4,49	393,12%
100%	11,43	1156,24%



Source: FM estimates

Appendix 16: Risk Matrix



SR - Sports Risk

FFPR – Financial Fair Play Risk

OR – Operational Risk

MR – Market Risk

CR – Credit Risk

LR – Liquidity Risk

RR – Refinancing Risk

Source: FM estimates

Appendix 17: Ownership Structure

	Shares	Equity %
Sport Lisboa e Benfica		
Directly	9,200,000	40.00%
Sport Lisboa e Benfica, SGPS, SA	5,438,206	23.65%
Luís Filipe Vieira	753,615	3.28%
Rui Manuel César Costa	10,000	0.04%
Rui Manuel Frazão Henriques da Cunha	500	-
José Manuel da Silva Appleton	500	-
Rui António Gomes do Nascimento Barreira	300	-
Gualter das Neves Godinho	100	-
	15,403,221	66.97%
Novo Banco, SA	1,832,530	7.97%
José da Conceição Guilherme	856,900	3.73%
Somague – Engenharia, SA	840,000	3.65%
Olivedesportos SGPS, SA	612,283	2.66%

Source: FM edition and Company report

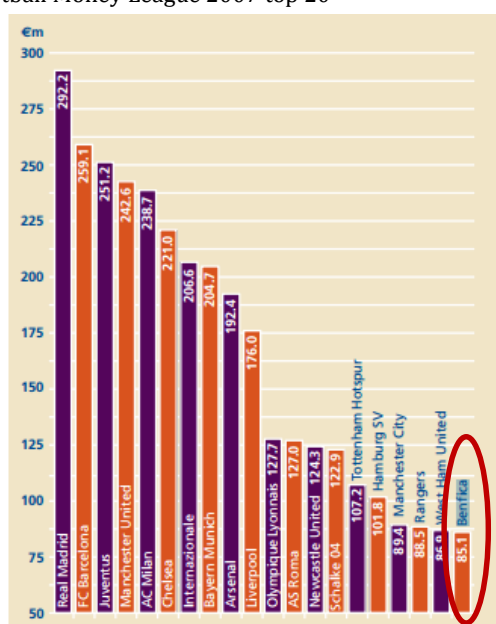
Appendix 18: International Recognition

Deloitte Football Money League

According to Deloitte, the “Football Money League” is an annual survey that profiles the highest earnings clubs in the world’s most famous sport and considers it the most contemporary and reliable analysis of the clubs’ relative financial performance.

Here below we have represented all the editions of this study where Benfica take part.

Football Money League 2007 top 20



Money League 2008 under top 20

Club	2006/07 Revenue
Borussia Dortmund	€90.3m (£60.8m)
FC Copenhagen	€89.9m (£60.5m)
PSV Eindhoven	€88.0m (£59.2m)
VfB Stuttgart	€87.8m (£59.1m)
Fenerbahce	€87.2m (£58.7m)
Benfica	€87.1m (£58.6m)
West Ham United	€85.1m (£57.3m)
Manchester City	€84.6m (£56.9m)
Aston Villa	€78.3m (£52.7m)
Everton	€76.4m (£51.4m)

Football Money League 2011 under top 20

Club	Reported revenue €m
ACF Fiorentina	106.4
Borussia Dortmund	105.2
FC Girondins de Bordeaux	102.8
Sevilla CF	99.6
Valencia	99.3
Benfica	98.2
Everton	96.6
Werder Bremen	96.5
Napoli	95.1
Fulham	94.2
West Ham United	87.6

Football Money League 2012 under top 20

Club	Reported revenue €m
Benfica	102.5
Atlético de Madrid	99.9
Werder Bremen	99.7
Aston Villa	99.3
Newcastle United	98.0
Ajax	97.1
VfB Stuttgart	95.5
Everton	90.8
West Ham United	89.1
Sunderland	87.9

Football Money League 2013 under top 20

Club	Reported revenue €m
Valencia	111.1
Benfica	111.1
Atlético Madrid	107.9
Ajax	104.1
VfB Stuttgart	103.2
Everton	99.5
Aston Villa	98.6
Fulham	98.0
Sunderland	96.4
Galatasaray	95.1
Corinthians	94.1

Football Money League 2014 under top 20

Pos	Club	Reported revenue €m
21	VfB Stuttgart	116.5
22	Napoli	116.4
23	Valencia	116
24	Corinthians	113.3
25	Newcastle United	111.9
26	Benfica	109.2
27	Ajax	107.6
28	SS Lazio	106.2
29	West Ham United	104.8
30	Olympique de Marseille	104.3

Football Money League 2015 under top 20

Pos	Club	Reported revenue €m
21	West Ham United	137.4
22	Aston Villa	133.0
23	Olympique de Marseille	130.5
24	AS Roma	127.4
25	Southampton	126.9
26	Benfica	126.0
27	Sunderland	124.8
28	Hamburger SV	120.3
29	Swansea City	118.0
30	Stoke City	117.6

Brand Finance Football 50

According to Brand Finance, Football 50 is the only study of its kind to analyse and rank football clubs by the value of their brands, providing a deep understanding of the opportunities and challenges facing the industry.

Here below we have represented all the editions of this study where Benfica take part.

Football 50 2016

Rank 2018	Rank 2015	Club	Country	2018 Brand Value (€m)	2018 Brand Rating
1	1	Manchester United FC	United Kingdom	1,077	AAA
2	3	Real Madrid CF	Spain	1,058	AAA+
3	6	FC Barcelona	Spain	914	AAA+
4	4	Manchester City FC	United Kingdom	833	AAA-
5	2	FC Bayern München	Germany	798	AAA+
6	7	Arsenal FC	United Kingdom	790	AAA
7	9	Paris Saint-Germain FC	France	729	AAA-
8	5	Chelsea FC	United Kingdom	714	AAA-
9	8	Liverpool FC	United Kingdom	688	AAA
10	10	Tottenham Hotspur FC	United Kingdom	408	AA+
11	11	Juventus FC	Italy	284	AAA
12	12	Borussia Dortmund	Germany	258	AAA-
13	15	Everton FC	United Kingdom	258	AA+
14	16	West Ham United FC	United Kingdom	252	AA-
15	23	Club Atlético de Madrid	Spain	245	AA+
16	42	Leicester City	United Kingdom	218	AA
17	18	Southampton FC	United Kingdom	208	AA-
18	13	FC Schalke 04	Germany	205	AA+
19	26	Stoke City FC	United Kingdom	195	AA-
20	14	AC Milan	Italy	191	AA+
21	37	West Bromwich Albion FC	United Kingdom	170	AA-
22	29	Sunderland AFC	United Kingdom	168	AA-
23	30	Crystal Palace	United Kingdom	162	A+
24	28	Bayer 04 Leverkusen	Germany	161	AA
25	27	Swansea City	United Kingdom	161	A+
26	45	Borussia Mönchengladbach	Germany	159	AA-
27	41	Hamburger SV	Germany	140	AA
28	20	FC Internazionale Milano	Italy	139	AA+
29	38	Olympique Lyonnais	France	127	AA
30	35	AS Roma	Italy	121	AA+
31	31	Olympique de Marseille	France	119	AA
32	22	Newcastle United FC	United Kingdom	119	AA
33	17	AS Monaco	France	114	A+
34	New	Hertha BSC Berlin	Germany	113	AA-
35	New	Athletic de Bilbao	Spain	113	AA-
36	36	VfL Wolfsburg	Germany	109	AA
37	24	SSC Napoli	Italy	108	AA+
38	25	AFC Ajax	Holland	107	AA+
39	19	Galatasaray SK	Turkey	107	AA
40	47	Sevilla FC	Spain	106	AA
41	21	Aston Villa FC	United Kingdom	101	AA-
42	44	SV Werder Bremen	Germany	101	AA-
43	New	Villarreal CF	Spain	101	AA-
44	46	PSV Eindhoven	Holland	88	AA
45	33	Fenerbahçe SK	Turkey	87	AA
46	32	VfB Stuttgart	Germany	87	AA
47	40	SL Benfica	Portugal	86	AA+
48	39	Valencia CF	Spain	86	AA-
49	New	FSV Mainz 05	Germany	85	A+
50	New	Watford	United Kingdom	83	A+

Football 50 2011 top 16-28

RANK 2011	RANK 2010	CLUB	2011 BRAND VALUE €M	2010 BRAND VALUE €M	% CHANGE	BRAND RATING
16	13	OLYMPIQUE LYONNAIS	78	81	-3.9%	A
17	17	OLYMPIQUE DE MARSEILLE	74	70	5.7%	BBB+
18	12	AS ROMA	63	67	-27.1%	BBB+
19	NEW	ATLÉTICO DE MADRID	55	-	-	BBB+
20	20	VFB STUTTGART	51	52	-3.0%	BBB-
21	20	VALENCIA CF	50	-	-	BBB+
22	NEW	FC GIRONDINS DE BORDEAUX	48	-	-	BBB-
23	21	AFC AJAX	45	45	2.0%	BBB+
24	NEW	SSC NAPOLI	43	-	-	BBB
25	22	ASTON VILLA FC	43	41	3.8%	BBB-
26	18	SV WERDER BREMEN	42	50	-34.9%	BBB-
27	24	EVERTON FC	38	38	1.3%	BB+
28	NEW	SL BENFICA	35	-	-	BBB

Football 50 2013 top 26-42

2013 rank	2012 rank	Club	Country	2013 Euro	2012 Euro	change	Brand Rating
26	31	Valencia CF	Spain	64	53	21%	AA-
27	32	VfL Wolfsburg	Germany	64	52	24%	A
28	21	AS Roma	Italy	64	66	-4%	AA
29	29	West Ham United FC	England	63	55	15%	A
30	20	Newcastle United FC	England	63	67	-7%	AA
31	19	Aston Villa FC	England	62	69	-9%	AA-
32	30	SV Werder Bremen	Germany	62	53	16%	AA-
33	23	Everton FC	England	61	62	-1%	AA-
34	34	Fulham FC	England	58	51	15%	A+
35	33	Sunderland AFC	England	56	52	9%	A+
36	NEW	Beşiktaş JK	Turkey	55	NEW	NEW	A+
37	45	Club Atlético de Madrid	Spain	52	39	32%	AA-
38	NEW	Santos Futebol Clube	Brazil	50	30	68%	AA
39	39	São Paulo FC	Brazil	48	46	5%	A+
40	26	PSV Eindhoven	Netherlands	47	58	-18%	AA-
41	42	Stoke City FC	England	46	43	5%	A+
42	NEW	SL Benfica	Portugal	44	NEW	NEW	A+

Football 50 2014 top 26-38

TOP 50 FOOTBALL BRANDS 26-50						
	2014	2013	Club	Country	2014 Brand Value (€m)	2014 Brand Rating
↑	26	28	AS Roma	Italy	80	AA+
↑	27	30	Newcastle United FC	England	75	AA
↓	28	25	VfB Stuttgart	Germany	75	AA
↓	29	26	Valencia CF	Spain	73	AA
↑	30	32	SV Werder Bremen	Germany	69	AA
↑	31	35	Sunderland AFC	England	69	AA-
↓	32	18	Olympique de Marseille	France	67	AA
↓	33	27	VfL Wolfsburg	Germany	67	AA
↓	34	22	Fenerbahçe SK	Turkey	64	AA
↓	35	19	SC Corinthians Paulista	Brazil	64	A
→	36	N/A	LOSC Lille Métropole	France	62	AA
↑	37	44	Celtic FC	Scotland	61	AA+
↑	38	42	SL Benfica	Portugal	61	AA+

Football 50 2014 top 26-38

Rank 2015	Rank 2014	Club	Country	2015 Brand Value (€m)	2015 Brand Rating
1	3	Manchester United FC	England	914	AAA
2	1	FC Bayern Munich	Germany	707	AAA
3	2	Real Madrid CF	Spain	681	AAA+
4	5	Manchester City FC	England	607	AAA-
5	7	Chelsea FC	England	602	AAA
6	4	FC Barcelona	Spain	588	AAA+
7	6	Arsenal FC	England	533	AAA
8	8	Liverpool FC	England	437	AAA-
9	10	Paris Saint-Germain FC	France	410	AAA-
10	12	Tottenham Hotspur FC	England	273	AA+
11	13	Juventus FC	Italy	265	AAA
12	9	Borussia Dortmund	Germany	247	AAA-
13	11	FC Schalke 04	Germany	229	AA+
14	14	AC Milan	Italy	185	AAA-
15	20	Everton FC	England	173	AA
16	24	West Ham United FC	England	158	AA
17	New	AS Monaco	France	153	A+
18	30	Southampton FC	England	138	AA
19	17	Galatasaray AS	Turkey	135	AA+
20	15	FC Internazionale Milano	Italy	121	AAA-
21	23	Aston Villa FC	England	118	AA
22	27	Newcastle United FC	England	118	AA
23	19	Club Atlético de Madrid	Spain	114	AA+
24	21	SSC Napoli	Italy	112	AA+
25	18	AFC Ajax	Netherlands	110	AA+
26	41	Stoke City FC	England	108	AA-
27	New	Swansea City	Wales	103	A
28	22	Bayer 04 Leverkusen	Germany	102	AA
29	32	Sunderland AFC	England	101	AA
30	New	Crystal Palace	England	100	A
31	33	Olympique de Marseille	France	98	AA
32	28	VfB Stuttgart	Germany	91	AA-
33	35	Fenerbahçe SK	Turkey	91	AA
34	38	Celtic FC	Scotland	91	AA
35	26	AS Roma	Italy	89	AA+
36	34	VfL Wolfsburg	Germany	88	AA
37	42	West Bromwich Albion FC	England	88	AA
38	25	Olympique Lyonnais	France	84	AA
39	29	Valencia CF	Spain	81	AA
40	39	SL Benfica	Portugal	78	AA+

Appendix 19: Sport Lisboa e Benfica Principal Football Winners

- **Portuguese League – 35**
- **Portugal Cup – 25**
- **Portuguese Supercup – 6**
- **Portuguese League Cup – 7**
- **UEFA Champions League – 2**
- **Latin Cup – 1**
- **Iberian Cup - 1**

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Abbreviations

- **BS** Balance Sheet
- **BV** Book Value
- **BTV** Benfica TV
- **CapEx** Capital Expenditure
- **CAPM** Capital Asset Pricing Model
- **CMVM** Comissão do Mercado de Valores Mobiliários
- **CRP** Country Risk Premium
- **D** Debt
- **DCF** Discounted Cash Flow
- **D&A** Depreciations & Amortizations
- **E** Equity
- **EBIT** Earnings Before Interest and Taxes
- **EBITDA** Earnings Before Interest and Taxes Depreciations and Amortizations
- **ECB** European Central Bank
- **EPS** Earnings per Share
- **EV** Enterprise Value
- **FCF** Free Cash Flow
- **FCFE** Free Cash Flow to Equity
- **FCFF** Free Cash Flow to the Firm
- **FM** Francisco Matos
- **g** Perpetual growth rate
- **GDP** Gross Domestic Product
- **IMF** International Monetary Fund
- **INE** Instituto Nacional de Estatística
- **IS** Income Statement
- **ISEG** Lisbon School of Economics and Management
- **MRP** Market Risk Premium
- **NWC** Net Working Capital
- **OECD** Organization for Economic Co-operation and Development
- **P/E** Price to Earnings ratio
- **Rd** Cost of Debt

- **Re** Cost of Equity
- **Rf** Risk free rate
- **SAD** Sociedade Anónima Desportiva
- **SLB** Sport Lisboa e Benfica
- **S&P** Standard & Poor's
- **T** Tax rate
- **TV** Terminal Value
- **WACC** Weighted Average Cost of Capital
- **WC** Working Capital
- **Wd** Weight of debt
- **We** Weight of equity